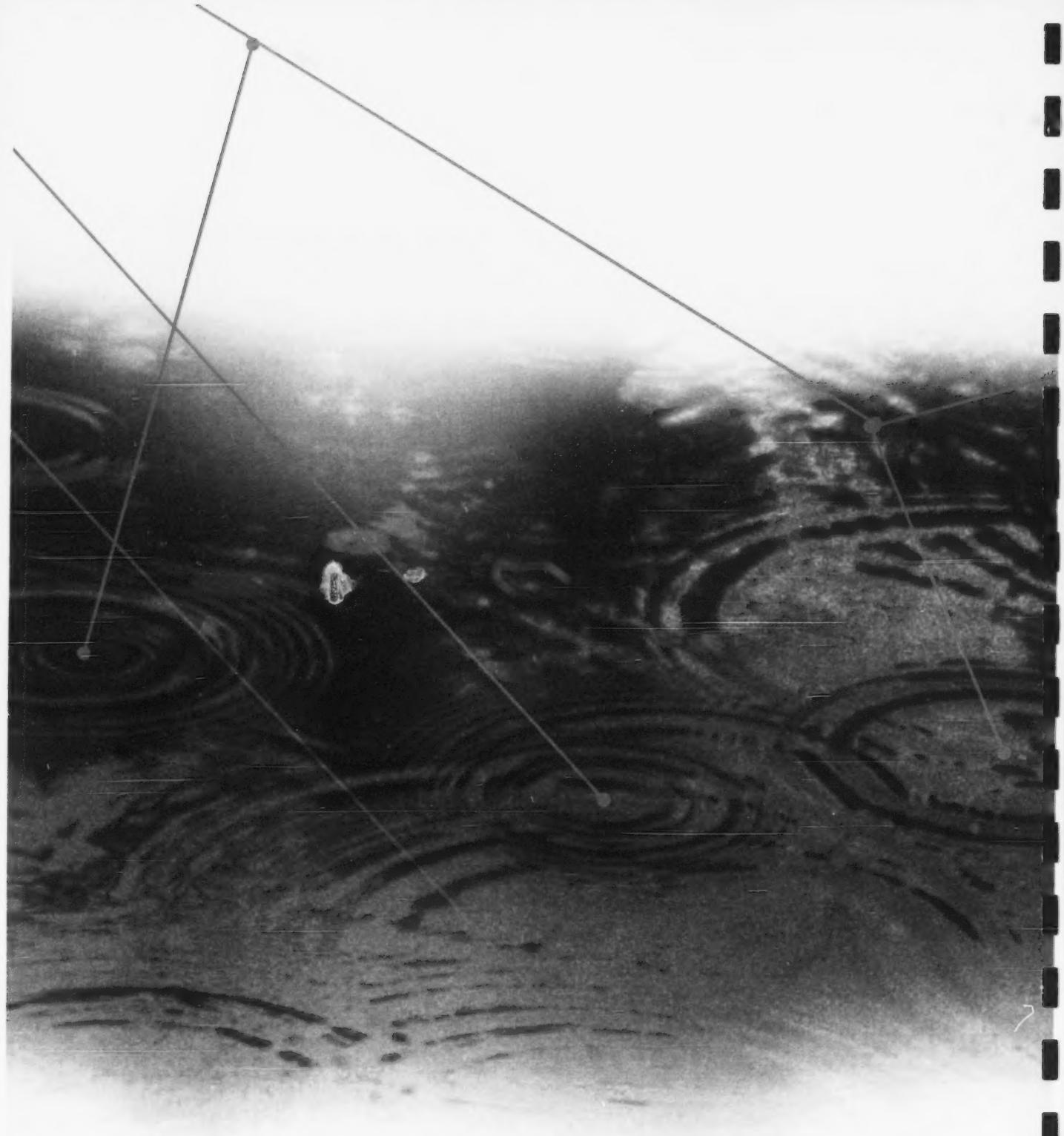


2010 Annual Report and 2011-2013 Service Plan

WORKSAFE BC
WORKING TO MAKE A DIFFERENCE

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WorkSafeBC's annual report and service plan is available online at www.worksafebc.com. This move to electronic publication is consistent with WorkSafeBC's corporate sustainability and responsibility goals.



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Strategic Foundations of WorkSafeBC

WorkSafeBC (the Workers' Compensation Board of British Columbia) is an independent statutory agency governed by a Board of Directors appointed by the provincial government. It serves 2.3 million workers and more than 200,000 employers throughout B.C., and is funded through insurance premiums paid by registered employers and through investment returns. In administering the *Workers Compensation Act* (the Act), WorkSafeBC remains separate and distinct from government; however, WorkSafeBC is accountable to the public through the provincial government, which is responsible for protecting and maintaining the overall well-being of the workers' compensation system.

Our mandate

To work with workers and employers as follows:

- To promote the prevention of workplace injury, illness, and disease
- To rehabilitate those who are injured, and assist with timely return to work
- To provide fair compensation to replace lost wages for injured workers during their recovery
- To ensure sound financial management for a viable workers' compensation system

Our vision

To keep workers and workplaces safe and secure from injury, illness, and disease

Our commitment

To make a difference, one human being at a time

Our mission

To add value for workers and employers by doing as follows:

- Assisting them to create a culture of health and safety in the workplace
- Delivering quality decisions and advice
- Providing compassionate and supportive service
- Ensuring solid financial stewardship, now and in the future

Our guiding principles and premises

We, the officers and agents of WorkSafeBC, believe in the following principles:

- We must focus on our mandate, which includes prevention, rehabilitation, and compensation.
- We must promote healthy and safe workplaces through enforcement, consultation, and education.
- We can be most effective when we enlist the co-operation of workers and employers in preventing workplace injury, illness, disease, and death.
- Societal change is essential for creating a culture of health and safety in the workplace, and we play a principal role in effecting this change.
- When a worker is injured, our priority must be that worker's rehabilitation and return to work.

- We must be driven by a service orientation that is attained through the effective delivery of WorkSafeBC programs and services. In doing so, we are dedicated to empowering our front-line staff through support and ongoing development and training opportunities.
- We must preserve the financial integrity and stability of the system.
- We must add value to the workers' compensation system and be an asset to our stakeholders and to the province of British Columbia.
- We must remain sensitive to the strategic priorities and comply with the legislated directions of the B.C. government.

To fulfill its mandate, WorkSafeBC is enabled by its organizational features:

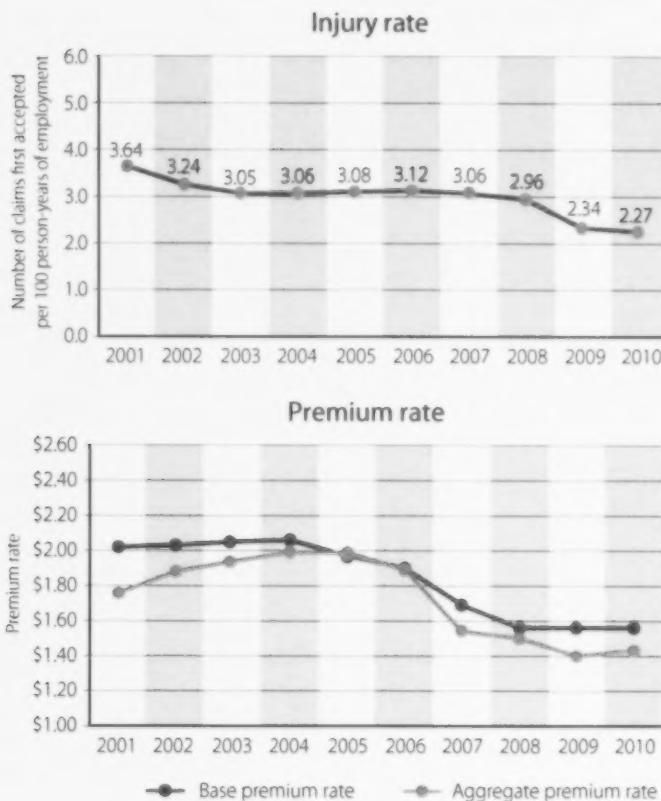
- Transparent and accountable policies and regulations that define the type and amounts of compensation paid to injured workers, prescribe occupational health and safety standards, and determine how the system is funded and administered
- A full range of programs that meet the individual prevention, compensation, assessment, and rehabilitation needs of stakeholders
- Professional, compassionate, and highly trained people working together to deliver quality service
- Effective and efficient processes that ensure excellent quality and service and eliminate bureaucracy
- Innovative and responsive services designed to meet the individual needs of stakeholders throughout the system

Our goals

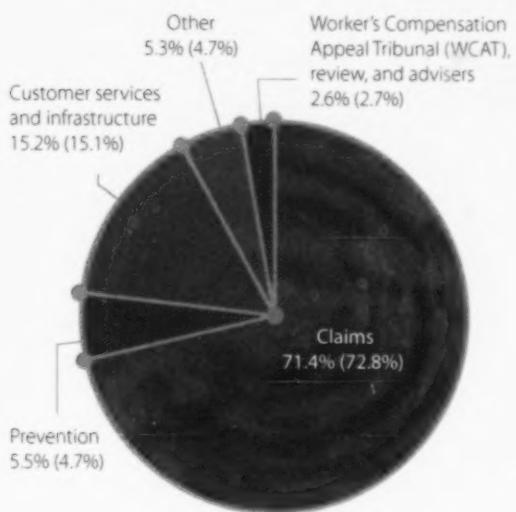
(For more information, see page 25)

1. To foster the improvement of occupational health and safety in B.C. workplaces
2. To improve service to stakeholders
 - a) To improve satisfaction, accessibility, and public confidence in the organization
 - b) To improve adjudicative decision-making throughout each division, ensuring consistency with the legislation and policy
3. To improve cost-effectiveness and accountability of the services we deliver
4. To maintain financial sustainability and stability

Operational Highlights



Allocation of 2010 Expenses (2009)



Key financial comparatives (\$ millions)

	2010 actual	2009 actual
Premium income	1,060	1,024
Investment income	554	148
Claim costs	1,293	1,322
Operating costs—net ^a	185	167
Surplus (deficit) from operations	136	(317)
Unrealized investment gains	536	1,111
Total comprehensive income	672	794
Total assets	12,647	11,970
Total liabilities	9,693	9,688
Unappropriated balance	380	694
Reserves	1,859	1,409
Accumulated other comprehensive income	715	179
Rate of return on investment ^b	9.8%	8.7%
Real rate of return on investment (rate of return over inflation)	7.4%	8.6%

a Net of claims administration costs; 2010: \$238 million; 2009: \$238 million

b Rate of return includes both investment income and unrealized investment gains noted in the table above, see pages 53 and 57 for further information

— Q&A with the Chair and President



In Conversation with the Chair

George Morfitt, appointed Chair of WorkSafeBC's Board of Directors in 2010, describes the challenges of the past year and the vision for the workers' compensation system in 2011 and beyond.

Q: As the new Chair, what is your vision for WorkSafeBC?

In my view, continuity is extremely important. As Chair, my vision is to retain our focus — which has been, and will continue to be, on customer service and the prevention of workplace injuries. We've come a long way in recent years, but there is always room for improvement.

Additionally, the role of the Board of Directors is to ensure

WorkSafeBC has clearly defined goals, accountability structures, and processes in place to measure our progress. We do this well and were the first public agency in British Columbia to receive an audit opinion that our annual report and service plan met the B.C. Performance Reporting Principles requirements. These principles describe and measure meaningful performance reporting by B.C. public agencies, with a focus on transparency and accountability that reflect best practices in public reporting.



Q: Is the economic downturn that occurred from 2007 to 2009 still relevant?

Absolutely. Even though B.C.'s economy has continued to improve, the impact of the global downturn is still being felt by employers in many sectors in our province. In an economic environment where the rate of growth is slow, employers are proceeding cautiously. This affects their demand for labour, particularly in some of the higher risk industries and, consequently, the number of claims registered, and the injury rate.

As well, the global financial crisis that came hand in hand with the economic downturn had a considerable impact on WorkSafeBC's financial condition, resulting in a negative investment return and a drop in assets in 2008. Our financial position has recovered significantly due to our strong investment returns in 2009 and 2010, but the impacts of that market event are still being felt.

That said, our long-term approach — a conservative investment strategy and capital adequacy policy — has positioned us well. Since the downturn, our funding level has remained above 100 percent, well above the average for workers' compensation boards in Canada¹. Our operational performance has also recovered significantly; we ended 2010 with a surplus (total comprehensive income) of \$672 million.

Q: What other global trends are affecting workers' compensation systems?

Technology has had a huge impact. It is making workers' compensation systems — including WorkSafeBC — more efficient. However, maximizing the benefits of technology is not without cost; it requires a sizable human and financial investment and transition periods that can affect service. We've experienced this in the past year or two as we've transitioned to a completely new claims management system and new business processes. There have been challenges but, over time, we expect our customers — injured workers, employers, and service providers — will see substantial benefits.

*George Morfitt,
Chair of WorkSafeBC's
Board of Directors*

Q: Going forward, what other challenges is WorkSafeBC facing?

In the years ahead, demographic changes will present a new set of challenges, and we are planning for these changes accordingly. The worldwide phenomenon of an aging workforce is one such challenge in that older workers take longer to recover from injuries, and there are more of them in the workforce today than ever before. As well, like any employer, WorkSafeBC has older employees; as baby boomers retire, we must ensure our organization is properly staffed to provide timely service to our clients. We expect that the recent modernization of our computer system will assist us in meeting the challenges that will arise when we see a major exit of employees from the workforce over the next 10 years.

Q: What's ahead for 2011?

Developing a new strategic plan for the organization is a priority. The previous strategic plan provided the road map for the modernization of WorkSafeBC and we are now well down that road. The new strategic plan will continue to build on that roadmap.

How will we address the demographic changes? How will we incorporate continuing technological change? How will we move forward in an uncertain economic climate in a way that guarantees the security of benefits for pensioners and injured workers while providing stable rates for employers?

The Board of Directors and administrators of WorkSafeBC are confident we can address these challenges and be recognized as one of the best workers' compensation systems in the world.

In Conversation with the President

Dave Anderson, President and Chief Executive Officer talks about WorkSafeBC's performance in 2010 and its impact on workplace health and safety in British Columbia.

Q: What was the biggest success in 2010?

Overall, 2010 was a very successful year on many important fronts. Maintaining the provincial injury rate at the lowest level in history has to be the highlight of the year. The injury rate remained at historically low levels during a period in which the B.C. economy continued to improve and industrial activity picked up, despite a slowing growth trend in late 2010. This is a significant success; in the past, an employment increase in high-risk sectors would have resulted in an increased injury rate. Maintaining a low injury rate has taken the collective effort and commitment of WorkSafeBC staff and all our workplace partners — including employers and workers. It's an achievement we can be proud of — one that encourages us to work toward continuing to lower the injury rate.

Q: In 2010, what was the priority issue facing WorkSafeBC?

Customer service was our primary focus. In mid-2009, we implemented a new computer system to streamline and expedite service. The new system was a significant and necessary change; the infrastructure it replaced was old and fragile. However, as is frequently the case with new systems, implementation was challenging and the product was imperfect. It was particularly difficult for our staff as they learned a completely new way of working while the new system was evolving and being improved.

While the implementation and refinement of the system took longer than anticipated, we are now at the point where we can better take advantage of the opportunities presented by the new system; and we are excited about the service improvements it will help realize.

In 2010, we saw several enhancements to the system — all designed to make jobs easier for members of our WorkSafeBC team, allowing them to better serve our clients. To prioritize these enhancements, we asked our frontline staff for feedback, particularly on changes that would directly or indirectly improve service levels. We had also delayed on hiring and training new staff to replace people retiring or transferring to new roles, while

we focused our training resources on teaching the new system. So, in 2010, we hired and trained additional new staff to meet our customer needs. By late 2010, we started seeing the benefits of these hires — a trend we expect to continue in 2011.

Q: Did the economy continue to have an impact on WorkSafeBC and its operations?

Yes, it did. While the economy continued to improve in 2010, many B.C. businesses have not fully recovered from the global economic problems that occurred in 2007–2009. The impact of the economic downturn is still being felt in sectors like construction — though we are now starting to see improvement in some areas.

This shift in economic activity changes how WorkSafeBC assigns its resources. With less work in high-risk industries like construction, some inspection staff and resources have been redirected to where they are needed most. Oil and gas is one sector to which we're devoting more resources, due to increased economic activity in 2010.

The improvement in world financial markets also had a significantly positive impact on the investments we hold to fund the disability pensions for permanently injured workers. Our Accident Fund² continues to be one of the strongest funds of its kind in Canada.

Q: What was the impact on return to work for injured workers in 2010?

The increase in unemployment negatively impacted the return-to-work rate. Typically, when demand for labour slows — as it has during this period of economic recovery — the return-to-work rate also declines. It becomes more difficult for employers to accommodate injured workers in ways that would allow them to return to work sooner.

Because of this, in 2010 WorkSafeBC invested significantly more in return-to-work programs and services. Our programs and services — such as vocational counselling, return-to-work planning, worksite/job modification, and help with training and education — are based on the philosophy that workers benefit



from returning to work as soon as it is medically safe and appropriate. Prior to the economic downturn we experienced the highest return-to-work rate in our history. In 2010, we saw a reduction in that rate to levels more in keeping with historical norms.

Q: What is ahead for 2011?

We expect the B.C. economy will continue to improve in 2011, resulting in higher employment rates across the province. The challenge for WorkSafeBC and its workplace partners will be to keep the injury rate low — especially as high-risk sectors continue to improve.

As part of this commitment to maintaining low injury rates, we have embarked on a number of outreach programs to address

the needs of B.C.'s culturally diverse labour force. These programs often serve the most vulnerable workers — including new immigrants and foreign temporary workers; expansion of these programs will continue to be a priority in 2011.

In recent years, the number of temporary foreign workers in B.C. has continued to climb, filling the demand for labour in sectors such as agriculture, hospitality, and health care. This is a trend we expect will continue in 2011. Many of these workers are from jurisdictions without workplace health and safety regulations, or an equivalent compensation system to WorkSafeBC. Our challenge is to ensure they understand their workplace rights and responsibilities here, in British Columbia.

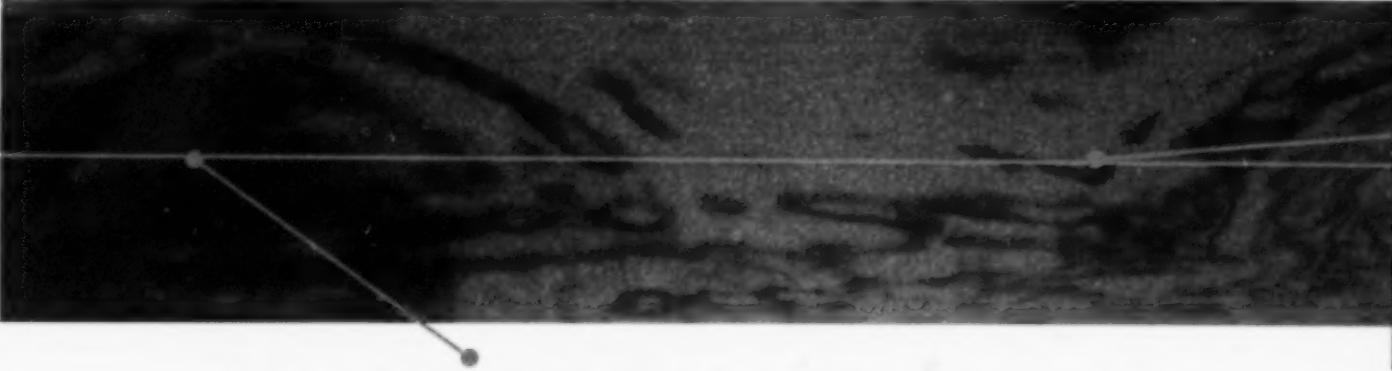
WorkSafeBC is attempting to meet this unique challenge in a number of ways. In 2010, for example, we expanded access to telephone interpretation — in 170 languages — to all WorkSafeBC service areas. Workers or employers calling WorkSafeBC, or speaking with an officer at a worksite, can now be connected within seconds to an interpreter in their language of choice.

In 2011, focusing resources on seriously injured workers will also continue to be a priority. We increasingly understand the complexities of living with a serious injury. Our Special Care Services team has expanded to include more medical specialists, case managers, psychologists, and social workers to address the psychological, physical, social, and mental health needs of severely injured workers. In 2011, we will continue to focus on providing resources and services to improve the quality of life for these seriously injured workers.

Q: Any final comment?

As a provincial regulatory body, we cannot become complacent. We will continue focusing on our customer service and core mandates but we're also considering our broader responsibilities as an organization to our community and the environment. To meet these responsibilities, in 2010, we created a Social Responsibility and Sustainability department — key initiatives are described in a new section in this annual report. We are in the early stages of developing this program, but expect to expand our activities in the years ahead.

I'd like to acknowledge our dedicated staff and our Board of Directors for their hard work towards helping prevent workplace injury, illness, and disease. Their collective contributions — whether it's working directly with B.C. employers and workers, in the background ensuring our systems run smoothly, or planning our future — are building WorkSafeBC's reputation as a leader in injury and disease prevention.



About WorkSafeBC

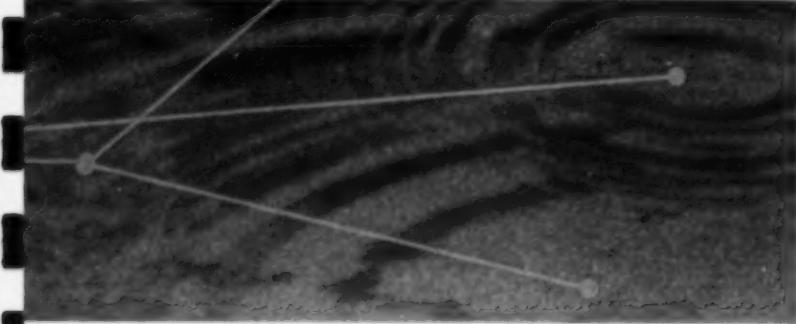
WorkSafeBC is dedicated to the reduction and eventual elimination of work-related injury, illness, disease, and death in B.C. workplaces. When workers do get sick, injured, or killed on the job, WorkSafeBC is committed to easing the physical, financial, and psychological burden on these workers and their families.

WorkSafeBC has legislated responsibility for establishing and enforcing occupational health and safety standards; compensating and rehabilitating injured, ill, and disabled workers, or providing benefits to their dependants; and, assessing and collecting employer premiums to support and administer the workers' compensation system. To meet these responsibilities, WorkSafeBC focuses on the following areas of business.

Preventing workplace injury and illness

WorkSafeBC's vision is to keep workers and workplaces safe and secure from injury, illness, and disease. In support of this goal, WorkSafeBC establishes standards and guidelines for occupational health and safety practices; educates and consults with workplace stakeholders; raises public awareness; and builds partnerships with industry safety associations, unions, and other key stakeholders to improve health and safety in B.C. workplaces. Additionally, WorkSafeBC has the legislative authority to monitor compliance with occupational health and safety law and regulation; investigate serious incidents; and, in certain cases, levy financial penalties or other sanctions against employers for safety infractions.





Compensating and rehabilitating injured workers

When work-related injuries and illnesses do occur, WorkSafeBC makes entitlement decisions on compensation benefits and administers health care and wage-loss benefits, permanent disability benefits, and survivor benefits. WorkSafeBC also works with external partners to rehabilitate injured workers and return them to safe, lasting employment.

Maintaining the financial sustainability of the system

WorkSafeBC assesses and collects employer premiums and invests those funds to cover current and future costs of compensation benefits and the costs of administering the workers' compensation system. WorkSafeBC is committed to sound financial management and has programs and strategies in place to minimize costs, maximize investment returns, and maintain the long-term financial sustainability of the system.

Providing impartial reviews

To maintain accountability and provide quality control, WorkSafeBC provides impartial reviews of its decisions related to compensation, assessment, and prevention. During the review process, an initial decision may be overturned if it is found to be incorrect or new evidence is found.

Protecting workers and employers since 1917

In some jurisdictions, workers can sue their employers for damages if they suffer work-related injuries. That's not the case in British Columbia — thanks to what's known as the historic compromise, under which workers relinquished their right to sue their employers or fellow workers for injuries, illnesses, and diseases sustained in the workplace. In exchange, employers agreed to fund a no-fault insurance system. The historic compromise remains the basis of workers' compensation in B.C. today.

Josh Dueck, Paralympic medalist and injured worker, championed young worker safety after setting a new GUINNESS WORLD RECORD™ for the most high-fives by one person in 24 hours.



The historic compromise

Each class surrenders to the State certain rights...The employer in submitting to the levy...upon his industry receive the benefit of protection from expensive litigation. The workman in return, though he loses the precarious right to sue in tort for damages, receives ... a stipulated amount based upon his economic position in the community. Both, as well as the State as a whole, benefit from the elimination of the friction and loss which necessarily attends all litigation.

— B.C. Sessional Papers, Volume II, 1914:M13

Financial Context

The financial information contained in this annual report and service plan conforms to the audited consolidated financial statements (see page 66), except for the additional financial information, as noted, based on the smoothed investment accounting approach.

In accordance with Canadian generally accepted accounting principles, WorkSafeBC's consolidated financial statements reflect the market value of investments at the end of the reporting year (fair value investment accounting). They provide a snapshot or point-in-time reading of financial assets, which means that short-term financial market fluctuations are reflected in the financial results.

However, since WorkSafeBC's investments are intended to yield returns over the long term, any short-term losses should not necessarily signal the need to increase premium rates or a need for government to consider reduction of worker benefits.

Similarly, short-term gains in asset value do not necessarily mean that funds are available to lower employer premium rates or a capacity for government to increase worker benefits.

To avoid rate fluctuations generated by financial market volatility, WorkSafeBC continues to set premium rates using smoothed investment accounting, based on a standard of practice established for all workers' compensation organizations in Canada by an independent study conducted in the early 1990s. Smoothed investment accounting amortizes realized and unrealized investment gains and losses over a five-year period, moderating the effect of market volatility on financial results. This approach takes into account the unique business

requirements of Canadian workers' compensation systems, including the need for pricing stability (for employer premium rates) and benefit sustainability (for injured workers and their dependants).

Beginning with the *2010 Annual Report and Service Plan 2011-2013*, the 10-year summary table (Schedule A in previous reports prepared based on the smoothed investment accounting approach) will be available at the following web page: www.worksafebc.com/publications/reports/annual_reports.

Prudent investment promotes sustainability

To ensure the long-term financial sustainability of the workers' compensation system, the *Workers Compensation Act* stipulates that present and future costs arising from an injury in a given year should be collected through assessments on employers whose accounts are active in that year. WorkSafeBC also seeks to promote the sustainability of the workers' compensation system through prudent investment of the Accident Fund. The primary determinant of the Accident Fund's² risk and expected return is the asset mix of its investment portfolio, determined by WorkSafeBC's Board of Directors under the advisement of an Investment Committee which includes three independent external investment experts, WorkSafeBC's President and Chief Executive Officer, Chief Financial Officer, Chair of the Audit Committee, and one other Board appointed member. The minimum long-term objective of the Investment Committee is to earn a real rate of return (the rate of return over inflation) of 3.5 percent, slightly higher than the 3.0 percent discount rate used to determine the Fund's actuarial liability.

The Board of Directors regularly reviews and updates a statement of investment policies and goals for the investment portfolio. Among other objectives, this statement sets out a risk budget that guides the investment strategies. Currently, 33 percent of the Accident Fund's investment portfolio is targeted to fixed-income investments, such as bonds and mortgages (with a permissible range of 20 to 60 percent). Another 39 percent is allocated to Canadian and international public and private equities (with a permissible range of 20 to 60 percent). The final 28 percent is allocated to inflation-sensitive investments, such as inflation-linked bonds, real estate, and infrastructure assets (with a permissible range of 15 to 40 percent).

Funding policy offers protection

In 2007, WorkSafeBC's Board of Directors approved the creation of a Capital Adequacy Reserve to address the organization's long-term capital requirements. This reserve offers greater security for worker benefits and reduces premium rate volatility by strengthening the organization's ability to withstand economic and demographic uncertainties (see Note 2(E) of the consolidated financial statements, page 74).

WorkSafeBC assesses its financial strength using two main indicators. The primary indicator is the ratio of total assets to a specific target asset level as defined in key objective/performance indicator #8 (see page 40). This indicator, unique to WorkSafeBC, tracks the organization's ability to withstand the impact of large financial shocks, such as the economic

downturn that occurred in 2008. In 2010, this indicator rose from 92 percent to 96 percent of the target asset level. The long-term goal is to build this indicator to 100 percent; however, the indicator's current level continues to demonstrate the organization's ability to withstand significant financial impacts.

The second indicator is to determine the funding level, or the ratio of assets to liabilities. This indicator of financial strength is used by other workers' compensation boards in Canada (see Appendix B, page 98). At the end of 2010, WorkSafeBC's funding level was 130 percent.

The impact of accounting changes on financial statements

In 2011, WorkSafeBC's financial reporting will change because of Canada's adoption of International Financial Reporting Standards (IFRS). WorkSafeBC considered a number of accounting policy options that could affect the organization's consolidated financial statements, selecting the most appropriate accounting policies within the new standards, and collecting comparative information in 2010. Further information on WorkSafeBC's transition to IFRS is available in the Management Discussion and Analysis section on pages 63 to 65.

WorkSafeBC joined other workers' compensation organizations throughout the country, under the auspices of the Association of Workers' Compensation Boards of Canada (AWCBC) to develop a coordinated approach to analysis, planning, and implementation to meet the IFRS challenge. WorkSafeBC also participated in a working group with other B.C. public sector organizations on IFRS information-sharing.

Governance

WorkSafeBC Board of Directors



Tazeem Nathoo

Public interest
representative
CMC, ICD.D

Appointed November 2010

Executive coach and senior
consultant with Western
Management Consultants;
board member of Citizens
Bank, BCAA, and the Canadian
Patient Safety Institute

Robert Smith

Actuary
BSc, MSc, MBA, C.Dir.
Appointed May 2007

Extensive experience in the
insurance, finance, pension, and
investment fields, both as a senior
executive and board member;
former CEO of Seaboard Life
Insurance Company

Phillip Legg

Worker representative
BA
Appointed January 2009

Director of policy and
communications for the
Federation of Post-Secondary
Educators of B.C.; board
member of the Community
Savings Credit Union

David Anderson

WorkSafeBC President
and Chief Executive Officer
MBA, FCHRP, C.Dir
Appointed December 2003

Former WorkSafeBC VP
Rehabilitation & Compensation
Services and VP Human Resources.
Senior executive positions in both
the public and private sector

**George Morfitt**

Chair
BCom, FCA
Appointed May 2010
(Director since 2006)

Adjunct professor at the University of Victoria's School of Public Administration;
Former Auditor General of British Columbia

Rick Roger

Public interest representative
BA, MSHA
Appointed January 2009

Former CEO of the Vancouver Island Health Authority and the Vancouver/Richmond Health Board

Joe Lindgren

Employer representative
BA (Hons), C.Dir
Appointed January 2009

Small business owner; president of Lincor Enterprises Ltd; trustee of the Construction Industry's Benefit Plan; director of the Vancouver Resource Society

Henry Harder

Health care & rehabilitation representative
BEd, MA, EdD
Appointed April 2008

Registered psychologist;
professor and chair of health sciences at the University of Northern British Columbia

Duties

According to the *Workers Compensation Act*, the Board of Directors must:

- Set and revise, as necessary, the policies of the Board of Directors, including policies respecting compensation, assessment, rehabilitation, and occupational health and safety
- Set and supervise the direction of WorkSafeBC
- Select the president of WorkSafeBC and determine the president's functions
- Approve the operating and capital budgets of WorkSafeBC
- Establish policies and accounting systems to ensure adequate funding of the Accident Fund
- Approve major programs and expenditures of WorkSafeBC
- Approve the investment of WorkSafeBC funds in accordance with the requirements imposed under the Act
- Plan for the future of WorkSafeBC
- Enact bylaws and pass resolutions for the conduct of WorkSafeBC's business and the functions of the Board of Directors, including enacting bylaws regarding the manner in which the policies of the Board of Directors are to be published
- On or before March 31 of each year, provide the Minister of Labour with a service plan that addresses the three-year period starting on January 1 of that year and does the following:
 - Sets out WorkSafeBC's priorities
 - Identifies specific objectives and performance measures for WorkSafeBC
 - Provides a fiscal forecast for WorkSafeBC, including a statement of all material assumptions and policy decisions underlying the forecast
 - Compares actual results of the previous year with the expected results identified in the previous year's service plan
 - Presents other information that WorkSafeBC considers appropriate

Priorities

- Prevent injury, illness, and disease in the workplace
- Return workers to employability
- Serve employers, workers, and workers' dependants
- Develop partnerships to promote prevention and durable return to work
- Enhance decision making in prevention, compensation, and assessment
- Improve the cost-effectiveness of the services WorkSafeBC delivers
- Maintain financial stability and sustainability
- Educate, engage, and communicate with our stakeholders

Major accomplishments

In 2010, some of the major accomplishments of the WorkSafeBC Board of Directors included:

- Maintaining a strong financial position during 2010 despite a continuing turbulent economy
- Enhancing the accountability, independence, and funding of external industry association groups
- Approving a series of amendments to the Occupational Health and Safety Regulation to enhance safety at work, including changes to protective equipment, guardrails, rigging, mobile equipment, and electrical safety
- Enhancing WorkSafeBC's ability to share and communicate research results to improve workplace safety
- Funding 11 Innovation at Work projects (targeting practical, shop-floor solutions to improve workplace safety throughout the province) and 15 Research at Work projects (to enhance knowledge and understanding of safety issues in B.C.)
- Releasing, for public consultation, a series of occupational health and safety regulatory enhancements to achieve greater safety for workers in a number of areas.

Committees

In 2010, the Board of Directors met nine times and held one governance and planning session. Current Board committees met as follows:

- Audit Committee — seven times in 2010

- Human Resources and Compensation Committee — four times in 2010
- Priorities and Governance Committee — five times in 2010

Decisions

The Board of Directors makes decisions on policy and regulation affecting the workers and employers of British Columbia. The Board's decisions can affect the premium rates employers pay and the level of benefits workers receive. As part of its commitment to remaining open and accountable to its stakeholders and the general public, WorkSafeBC posts the Board of Directors' decisions, and its formal resolutions, at www.worksafebc.com/regulation_and_policy/policy_decision/board_decisions/default.asp.

For more information about WorkSafeBC's Board of Directors, including the Board's standards of conduct, visit WorkSafeBC.com.

Accountability

The *2010 Annual Report and 2011–2013 Service Plan* was prepared under our direction in accordance with the Workers Compensation Act. We are accountable for the results achieved, for the selection of performance indicators, and for how our performance has been reported.

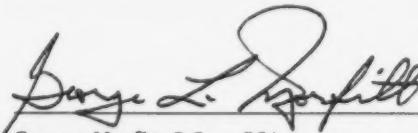
The information contained within reflects the actual performance of WorkSafeBC for the 12 months beginning January 1, 2010, and ending December 31, 2010. All material fiscal assumptions and policy decisions up to March 16, 2011, have been considered in the development of this publication.

This annual report and service plan presents a comprehensive picture of our actual performance against targets set in the *2009 Annual Report and 2010–2012 Service Plan*, and includes estimates and significant interpretive information that represent the best judgment of WorkSafeBC management. The indicators reported are consistent with the organization's mission, goals, and objectives, and focus on aspects critical to understanding WorkSafeBC's performance.

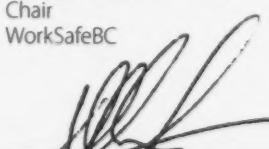
We are responsible for ensuring that WorkSafeBC's performance information is measured accurately and in a timely manner. Any significant limitations in the reliability of the performance data have been identified and explained within.

This report and service plan has been prepared in accordance with the B.C. Reporting Principles and is intended for a general audience. More detailed information about WorkSafeBC is available on our web site at www.WorkSafeBC.com.

On behalf of the Board of Directors and management of WorkSafeBC:



George L. Morfitt
Chair
WorkSafeBC



David Anderson, MBA, FCHRP, C.Dir.
President and Chief Executive Officer
WorkSafeBC



Report of the Auditor General of British Columbia

**To the Board of Directors of the Workers' Compensation Board of British Columbia, and
To the Minister of Labour, Citizens' Services and Open Government, Province of British Columbia**

I have audited the *2010 Annual Report and 2011-2013 Service Plan* (the annual report) of the Workers' Compensation Board of British Columbia (WorkSafeBC) to assess whether performance has been fairly presented in accordance with the BC Reporting Principles for the year ended December 31, 2010. The eight BC Reporting Principles outline the characteristics of good performance reporting and were endorsed by the Legislative Assembly's Select Standing Committee on Public Accounts in 2003 for use by public sector organizations in British Columbia. This annual report is the responsibility of WorkSafeBC's management. My responsibility is to express an opinion on this annual report based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Accordingly, I planned and performed an audit to obtain reasonable assurance that the BC Reporting Principles have been incorporated in the annual report. My audit included examining, on a test basis, evidence supporting the amounts and disclosures in the annual report and assessing significant estimates underlying reported performance.

I have audited the entire annual report to assess whether it has been prepared in accordance with the BC Reporting Principles and fulfills the attributes of consistency, fairness, relevance, verifiability, understandability, and timeliness. However, with respect to the attribute of reliability, I could not assess and therefore am not able to conclude on the reliability of the greenhouse gas emission information contained in the annual report. Consequently, I do not express an opinion concerning the reliability of information on that topic. Furthermore, a separate audit to determine if WorkSafeBC's financial statements have been prepared and reported in accordance with Canadian generally accepted accounting principles was also conducted. My opinion is provided on page 67.

As called for by the BC Reporting Principles, the annual report contains a number of representations from management concerning the appropriateness of the goals, objectives, and targets established by WorkSafeBC, explanations of the adequacy of planned and actual performance, and expectations for the future. Such representations are the opinions of management and inherently cannot be subject to independent verification. Therefore, my examination was limited to ensuring the report contains those representations called for by the BC Reporting Principles and that they are consistent with the audited performance information and financial statements.

In my opinion, except for the effect of adjustments, if any, which I might have determined to be necessary had I performed a more extensive audit of reliability as referred to in the third paragraph above, this annual report fairly presents, in all significant respects, the performance of WorkSafeBC for the year ended December 31, 2010, in accordance with the BC Reporting Principles. The following appendix contains details supporting my conclusion for each of the BC Reporting Principles and is an integral part of my opinion.

John Doyle, MBA, CA
Auditor General

Victoria, British Columbia
March 17, 2011

Appendix to the Report of the Auditor General of British Columbia on the 2010 Annual Report of the Workers' Compensation Board of British Columbia (WorkSafeBC)

Detailed observations

Principle 1 – Explain the Public Purpose Served

The report explains WorkSafeBC's public purpose, enabling legislation, and mission. Core business areas, services, clients, and stakeholders are described, as is the role of partners. The report explains WorkSafeBC's governance structure and external accountabilities. The report outlines WorkSafeBC's values that guide its service delivery (guiding principles and premises).

Principle 2 – Link Goals and Results

The report explains the chain of events from mission to goals, objectives, and strategies through to key objective/performance indicators. The relevance of these indicators is explained in the context of WorkSafeBC's goals and objectives, and in relation to issues of concern to an external audience (the public and legislators). Performance measurement focuses on outcomes in the short- and long-term, explaining how short-term achievements impact long-term results. Variances between planned and actual results are explained and related to expectations and plans for the future.

Principle 3 – Focus on the Few, Critical Aspects of Performance

The report states why goals, objectives, and the 11 key objective/performance indicators are important to WorkSafeBC and to an external reader. The performance information provides a clear and concise performance story. Key results are clear and readily apparent.

Principle 4 – Relate Results to Risk and Capacity

The report summarizes key risks and capacity issues in relation to each key objective/performance indicator, their impact on results and strategies for dealing with them in the future. Issues related to organization-wide financial, infrastructure, and technology risks and capacity are discussed separately.

Principle 5 – Link Resources, Strategies and Results

Revenue and expense variances are described as part of management's commentary on the financial statements. Costs are related to key business activities and goals. Planned and actual costs are provided for key revenue and expense items. Critical measures of efficiency are identified — administrative efficiency is the focus of one key objective/performance indicator and operational financial performance is the focus of another.

Principle 6 – Provide Comparative Information

Actual performance is clearly reported in relation to the service plan. Current performance is graphically related to historic trends and related to relevant industry benchmarks. Inconsistencies in trend data are fully explained and future performance targets are explained in the context of current performance.

Principle 7 – Present Credible Information, Fairly Interpreted

I am providing a high-level of assurance that the data supporting the 11 key objective/performance indicators is reliable. Systems to compile performance indicator data have been established and documented, although I do not provide assurance on the effectiveness of the control environment.

The report is reasonably concise and specialized terminology has been largely avoided. I note, however, that key objective/performance indicator #8: *Achieve 100 percent of the target asset level* is inherently complicated and may be difficult for some report readers to understand.

I do not provide assurance over the reliability of disclosures within pages 20 and 21 relating to greenhouse gas emissions of this report as I could not obtain sufficient appropriate audit evidence regarding the greenhouse gas emission results reported.

Principle 8 – Disclose the Basis for Key Reporting Judgments

The report provides explanations for how key objective/performance indicators are derived and the period to which data relates. WorkSafeBC's Chair and Chief Executive Officer have affirmed their ownership of the report and their responsibility for ensuring the accuracy and timeliness of performance information. The report explains the importance and relevance of goals and objectives, and it discusses how targets are selected.

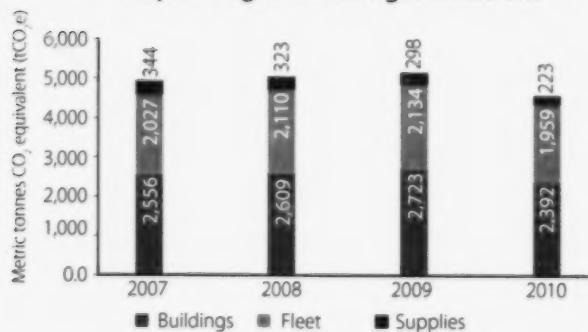
Social Responsibility and Sustainability

To demonstrate our commitment to transforming societal attitudes toward health, safety, and injury prevention and contributing to a safer province, in 2010, WorkSafeBC developed an operational framework that supports our vision for social responsibility and sustainability. The program has three focus areas: excellence in environmental management and health and safety (see below and next page) and excellence in accountability and transparency (as demonstrated through this initial report and future reporting now in development).

Our commitment

To make a difference together, by inspiring others and sharing our knowledge, expertise, and influence to help create healthier, safer, and more caring communities. We act with integrity and transparency to create lasting social impact and minimize our environmental footprint.

Reported greenhouse gas emissions



Excellence in environmental management

In February 2006, WorkSafeBC's owned facilities were certified under the BOMA Go Green program and, in 2010, we successfully recertified under BOMA BEST for our Richmond, Kamloops, Victoria, Courtenay, and Nanaimo facilities⁴. BOMA BEST — the evolution of the Go Green program — evaluates organizations based on their energy and water use, construction waste, recycling program, hazardous materials, material selection, ozone-depleting substances, indoor air quality, HVAC maintenance, and more. Organizations certified to this standard demonstrate their commitment to environmental best practices in both the operation and management of their buildings.

In addition, in 2009, we began measuring our carbon footprint using SMARTTool, developed by the B.C. Government to measure greenhouse gas emissions from buildings, supplies, and fleet. In 2008 the B.C. government introduced the *Greenhouse Gas Reduction Targets Act* legislating the government's commitment to creating a carbon-neutral public sector by 2010 and establishing ongoing emission targets against the 2007 baseline. While WorkSafeBC is not covered by the scope of this legislation, we have chosen to align ourselves with the emissions reporting and reduction aspects of this mandate.

As we continue to annually measure our carbon footprint based on source data from our energy providers, suppliers and fleet management partner, we can report our emissions progress against baseline and demonstrate our commitment to greenhouse gas reductions. In time, we expect to also be able

As part of our commitment to environmental sustainability, a group of WorkSafeBC employees, friends, and family participated in the Great Canadian Shoreline Cleanup.



to compare our carbon emissions to those of similarly-sized organizations.

The B.C. government has mandated a greenhouse gas reduction target of 6 percent below 2007 baseline levels by 2012. In 2010, our greenhouse gas reduction efforts showed a 7 percent reduction in emissions compared to baseline (2010: 4,574 tCO₂e; 2007: 4,927 tCO₂e). By making these results available to our stakeholders, we are demonstrating our leadership in environmental management and fulfilling our commitment to accountability and transparency.

Creating safe and healthy communities

As part of our commitment to transformational excellence in health and safety, WorkSafeBC is dedicated to improving the health and safety of the communities we serve. In 2010, we demonstrated this commitment through various community service initiatives.

Employee charitable giving

WorkSafeBC supports charitable giving by employees by administering a payroll deduction plan with Helping Hands, a group of WorkSafeBC employees committed to making a difference by supporting charities registered with the Canada Revenue Agency that respond to local, national, and international needs. In 2010, more than 32 percent of WorkSafeBC employees participated in the plan.

To raise money and awareness on behalf of many charitable causes, Helping Hands organizes various fundraising programs and special events, such as food bank drives, clothing/blanket/

toy drives, 50/50 draws, jeans day, book fairs, hanging basket and poinsettia sales, and blueberry sales — with all proceeds going to charity.

In 2010, Helping Hands donated funds to a number of charities, such as BC Children's Hospital, the Make-A-Wish Foundation, Meals on Wheels, the BC SPCA, the ALS Society of BC, and more. Helping Hands was also involved in two signature initiatives:

- Helping Hands was a lead funder in an initiative of the B.C. Branch of the Kidney Foundation of Canada to pilot a screening program for populations at greatest risk for kidney disease. Helping Hands was responsible for donating \$25,000 to this highly successful initiative.
- Helping Hands also supported the Centre of Excellence for Functional Cancer Imaging founded by the B.C. Cancer Agency. The Centre operates B.C.'s first and only publicly funded PET/CT scanner. Helping Hands donated more than \$24,000 toward the purchase of a lyophilisation system and rotary evaporator which are used during PET/CT scans.
- In 2010, a total of more than \$167,000 was dispersed by Helping Hands to registered charities.

WorkSafeBC employees also raised \$35,327 for the Movember campaign, an international fundraiser to support prostate cancer research.

Great Canadian Shoreline Cleanup

In September 2010, a team of more than 50 WorkSafeBC employees, family, and friends volunteered in the Great Canadian Shoreline Cleanup, collecting and recording 135 kg of garbage from 0.5 km of shoreline at Blair Point in Richmond. We plan to participate again in 2011.

Our Performance

Measuring Our Performance

To measure its performance, WorkSafeBC uses a set of objectives and associated key performance indicators that allow the organization to track and benchmark its progress over time. These objectives and performance indicators guide the organization in all planning and decision making and, through the annual reporting process, enable WorkSafeBC to remain open and accountable to the people of British Columbia.

WorkSafeBC uses a number of objectives and performance indicators, 11 of which the Board of Directors and Senior Executive Committee have identified as key contributors to the fulfillment of WorkSafeBC's strategic goals (see page 4).

In choosing which performance indicators to highlight, the Board of Directors and Senior Executive Committee considered a number of key factors:

- Relevance of the indicators to WorkSafeBC's strategic goals
- Validity of the indicators (do they measure what they are intended to measure?)
- Availability and reliability of data
- Clarity, comprehensiveness, and transparency of the indicators
- Ability of the indicators to provide reliable comparisons over time

The 11 key objective/performance indicators reflect WorkSafeBC's commitment to reporting its performance in terms of a balanced scorecard — an analysis of the organization's ability to incorporate both financial and non-financial factors toward fulfilling its mandate, vision, and mission. By looking beyond the financial indicators of success, WorkSafeBC gains a more comprehensive picture of its overall performance and uses that information to enhance its business operations.

Throughout the year, WorkSafeBC monitors and assesses each performance indicator (along with additional indicators used at the corporate and divisional levels) to track its progress toward targeted goals. The organization updates most indicators on a monthly or quarterly basis, which allows WorkSafeBC to adjust to changes quickly and, when necessary, make corrective policy, program, or operational changes to revert to target³.

Changes from the previous year

Ten of the 11 key objective/performance indicators selected for this year's annual report and service plan have been used since 2003⁴, although some definitions and methods of calculation have changed over time. Any substantive changes in methods used for calculating these key objective/performance indicators are noted in the year in which they were made. WorkSafeBC's Board of Directors may change or discontinue key objective/performance indicators or introduce new ones at any time.

If an indicator changes after the annual report and service plan have been submitted to the Minister of Labour, the change is detailed in the following year's report. WorkSafeBC also reports the results of indicators discontinued from the previous year, and, whenever possible, the historical results. This provides readers with a context to interpret and compare target results from year to year.

Prior to 2010, several key objective/performance indicators were based (in whole or in part) on data derived from legacy systems.

Beginning this year, the annual report and service plan results, and 2011 through 2013 targets have been developed based on data available through Claims Management Solutions (CMS) systems implemented in May 2009. See page 24 for more information. Key objective/performance indicators affected by this change include: the provincial injury rate, timeliness of payments, duration, and return-to-work success for cases referred to Vocational Rehabilitation Services. However, every effort has been made to ensure comparability across all time periods shown.

Also, as noted on page 63, beginning in 2011, WorkSafeBC will adopt International Financial Reporting Standards (IFRS) reflecting the adoption of those standards as Canadian generally accepted accounting principles (GAAP) for publicly accountable enterprises. As such, targets for 2011 and beyond are in accordance with IFRS; the consequences of this change are noted in the affected key objective/performance indicators. Additional detail on IFRS may be found on pages 64 and 65.

Setting annual targets

In setting annual targets for each key objective/performance indicator, WorkSafeBC considers several factors, including its historical performance, desired levels of service, operational requirements, and resources available for achieving short- and long-term goals. WorkSafeBC also considers environmental and external factors that may affect performance, as well as the potential to mitigate or control those factors through various programs and initiatives (see Appendix C, page 100).

In setting its annual targets, WorkSafeBC strives for continuous improvement. In some cases, however, the targets it sets for future years may be the same or less favourable than levels achieved the previous year. This situation can occur when factors that contributed to past performance are no longer expected to continue. For example, the organization may have achieved favourable results because of a temporary improvement in economic conditions, a new short-term initiative, or a one-time allocation of resources. Targets may also be less favourable than past performance when certain expenditures or activities are expected to affect outcomes. For example, an investment in new technology could increase WorkSafeBC's administrative costs for a period of time. Where appropriate, this type of temporary cost increase would be factored into future targets.

The section that follows lists each key objective/performance indicator, the factors that contributed to the performance outcome, and WorkSafeBC's annual targets through 2013. WorkSafeBC's targets are consistent with the meaning and use described in the Performance Reporting Principles for the British Columbia Public Sector. In this context, a target is a forecast of a performance indicator's value in a given year of the service plan. Targets, however, are not intended to limit WorkSafeBC's potential to strive for service improvement or dictate how decision makers should adjudicate individual claims.

Ensuring data reliability

WorkSafeBC stands behind the integrity and reliability of all key objective/performance results contained in this annual report. In an ongoing effort to improve its performance reporting, for the past eight years WorkSafeBC has submitted its annual report to a voluntary annual audit by the Office of the Auditor General of B.C. This audit is intended, in part, to validate the systems and processes the organization uses to collect performance data, verifying the accuracy of its results, and identifying areas for improvement. For more information on the Office of the Auditor General's findings, refer to pages 18 and 19.

Through ongoing auditing and quality-control initiatives, WorkSafeBC will endeavour to expand on the quality, consistency, comparability, and completeness of the data contained in its annual report. The Board of Directors and Senior Executive Committee will continue evaluating performance indicators, refining them as necessary to ensure each indicator accurately reflects WorkSafeBC's progress in working toward its strategic goals.

Comparing results over time

Each performance indicator cited in this report includes a comparison to past results. While WorkSafeBC's criteria for measuring its performance generally remain the same from year to year, to properly interpret the results over time the overall operating environment must be considered. A change in the mix of economic activity⁷ — an increase in construction activity, for example — can influence the outcome of several performance indicators.

Similarly, changes in the proportion of occupational disease claims could affect the indicator for the timeliness of payments, since claims for disease are complex and generally take more time to adjudicate. Changes in the economy can also influence some indicators more than others. For example, when demand for labour is strong, claim durations may diminish, while successful return-to-work outcomes increase.

Comparing results with other jurisdictions

In Canada, all workers' compensation organizations collect data to measure their performance and administer their systems. However, each jurisdiction typically uses different means to collect and report its data due to differing legal requirements, policies, goals, governing structures, and operating procedures.

To help overcome this challenge, the Association of Workers' Compensation Boards of Canada has developed a series of standardized indicators. For more information, see Appendix B, page 96.

Each key objective/performance indicator reports the significant factors that have changed from past years, or are expected to change by 2013.

The impact of CMS on performance indicators

Performance indicators are derived from the data in WorkSafeBC's data systems. This year, 2010, marks the first full year of operation for WorkSafeBC's Claim Management Solutions (CMS) system. Implemented in May 2009, this comprehensive new claim handling system replaced five major claim management systems.

Transitioning to the new system had consequences for how WorkSafeBC staff delivered services to injured workers as well as the methods used to calculate certain performance measures.

Work processes implemented with CMS changed the order and methods of data collection and increased consistency in adjudicating claims acceptance, entitlements, and payment of expenses. As processes are refined and CMS is fine-tuned and enhanced, we expect the system will automatically process an increasing number of straightforward claims. Indeed, recent enhancements have resulted in a significant increase in the percentage of claims adjudicated by CMS. Over time, it is anticipated the proportion of claims handled this way will continue increasing, contributing to improved efficiency.

In concert with the implementation of CMS and new business processes, the time taken to make the first wage-loss payment (timeliness) has increased (see key objective/performance indicator #4, page 33). Claims are adjudicated only once all critical information is on file, resulting in a slight delay as far as the timeliness of the first payment. Surveys confirm this will not adversely affect the customer experience.

A key advantage of CMS is that it enables workloads and work flows to be more effectively managed. If claim volumes increase or bottlenecks develop, improved information provided by the system allows existing staff resources to be dynamically reallocated to meet operational needs — a feature that is expected to contribute to improving customer service and stabilizing administrative costs (see key objective/performance indicator #10).

CMS provides WorkSafeBC with improved information for analysis as well as individual claims management. As this information resource grows, WorkSafeBC expects it will inform the design of programs, policies, and services. More complete and timely information creates the potential for improved analysis, a necessary component to improved administration and performance measurement, and improved customer service.

For more information on CMS, see Appendix C, Operating Environment page 100.

Linking priorities and performance

Priorities	• Prevent injury and illness in the workplace	• Serve employers, workers, and workers' dependants	• Enhance decision making in prevention, compensation, and assessments	• Maintain financial stability and sustainability
Goals*	Goal 1: Foster the improvement of occupational health and safety in workplaces	Goal 2a: Improve service to stakeholders — improve satisfaction, accessibility, and public confidence	Goal 2b: Improve service to stakeholders — improve adjudicative decision making throughout the divisions, ensuring consistency with the legislation and policy	Goal 3: Improve cost-effectiveness and accountability of the services we deliver
Objectives	<ul style="list-style-type: none"> • Reduce the provincial injury rate 	<ul style="list-style-type: none"> Reduce the average short-term claim duration^a Improve return-to-work outcomes for workers in vocational rehabilitation Improve timeliness of initial short-term disability payments Improve injured workers' rating of overall experience Improve employers' rating of overall experience Raise public confidence 	<ul style="list-style-type: none"> Improve decision making throughout WorkSafeBC, ensuring consistency with legislation and policy 	<ul style="list-style-type: none"> • Control administration costs • Achieve 100 percent of the target asset level • Attain an aggregate premium rate between \$1.25 and \$2.25 (per \$100 of assessable payroll)
Indicators	<ul style="list-style-type: none"> • Injury rate (number of claims first accepted per 100 person-years of employment) (performance indicator #1, see page 27) 	<p>The average number of days lost from work and subsequent wage-loss benefits paid by WorkSafeBC per short-term disability claim (performance indicator #2, see page 30)</p> <p>Successful return-to-work outcomes as a percentage of all return-to-work referrals concluded by Vocational Rehabilitation Services each year (performance indicator #3, see page 32)</p> <p>The number of days it takes WorkSafeBC to get first wage-loss payments to short-term disability claimants from the date of their disablement (performance indicator #4, see page 33)</p> <p>Survey results: injured workers' rating of overall experience (performance indicator #5, see page 34)</p> <p>Survey results: employers' rating of overall experience (performance indicator #6, see page 36)</p> <p>Survey results: public contribution index (performance indicator #7, see page 38)</p>	<ul style="list-style-type: none"> The proportion of issues leading to decision changes as a result of legal and/or policy errors (Review Division and WCAT levels)(performance indicator #11, see page 46) 	<ul style="list-style-type: none"> Annual administration costs per \$100 of assessable payroll collected from employers (performance indicator #10, see page 44) Percentage of the target asset level achieved (performance indicator #8, see page 40) Aggregate premium rate (performance indicator #9, see page 43)

a. *Workers' Compensation in 2010 and Beyond: Strategic Plan* (WorkSafeBC, September 21, 2004), www.worksafebc.com/publications/partnership_report/strategic_plan_2010/pdf/strategic_plan_2010/strat_plan_2010.pdf.

b. WorkSafeBC's objectives emanate from the organization's underlying goals for improvement. By meeting the objectives listed in this column, such as reducing the average short-term claim duration, WorkSafeBC can achieve its key goal of improving satisfaction, accessibility, and public confidence.

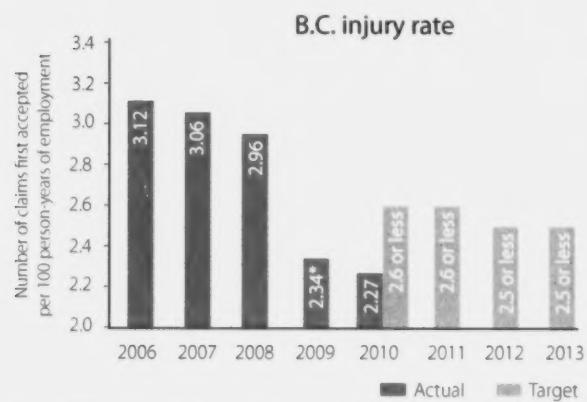
Performance targets and results at a glance

Key objective/performance indicator	2010 target	2010 result	2011 target	2012 target	2013 target
1. Reduce the provincial injury rate ^a (the number of claims first accepted by WorkSafeBC per 100 person-years of employment) ^a	2.6 or less	2.27	2.6 or less	2.5 or less	2.5 or less
2. Reduce the average short-term claim duration	53 days or less	58.8 days	55 days or less	52 days or less	49 days or less
3. Improve return-to-work outcomes for workers in vocational rehabilitation	75% or more	68.8%	70% or more	70% or more	70% or more
4. Improve timeliness of initial short-term disability payments	22 days	24.9 days	24 days	24 days	24 days
5. Improve injured workers' rating of overall experience	72% good or very good	69% good or very good	74% good or very good	75% good or very good	76% good or very good
6. Improve employers' rating of overall experience	78% good or very good	79% good or very good	80% good or very good	80% good or very good	80% good or very good
7. Raise public confidence ^a	84% or more	91%	85% or more	85% or more	86% or more
8. Achieve 100 percent of the target asset level ^b	90%	96%	94%	94%	94%
9. Attain an aggregate premium rate between \$1.25 and \$2.25 (per \$100 of assessable payroll) ^a	\$1.41	\$1.43	\$1.45	\$1.49	\$1.52
10. Control administration costs (per \$100 of assessable payroll) ^b	\$0.36	\$0.36	\$0.35	\$0.34	\$0.33
11. Improve decision making throughout WorkSafeBC, ensuring consistency with legislation and policy (proportion of issues leading to overturned decisions at the review and/or appeal level due to WorkSafeBC error in law or policy) ^a	Review level: 2.0% or less Appeal level: 2.5% or less	Review level: 1.3% Appeal level: 2.0%	Review level: 2.0% or less Appeal level: 2.5% or less	Review level: 2.0% or less Appeal level: 2.5% or less	Review level: 2.0% or less Appeal level: 2.5% or less

^a The 2011 target is less favourable than the result achieved in 2010. For more information, refer to the key objective/performance indicators on the following pages.
^b Targets for 2011 onward have been developed in a manner consistent with International Financial Reporting Standards.

Performance Targets and Results

Key objective/performance indicator #1:
Reduce the provincial injury rate⁸



* The 2009 annual report stated an estimate of 2.37; the actual result available in March 2010 was 2.34.

Importance

WorkSafeBC's top priority is preventing work-related injury, disease, and death. The organization gauges its progress by measuring the provincial injury rate — the number of claims first accepted by WorkSafeBC per 100 person-years of employment⁹. The lower the rate, the lower the human cost paid through work-related injuries and deaths¹⁰.

Setting targets

Fluctuations in the provincial injury rate are influenced by a number of factors, including changes in economic activity, industry practices, and the risk of injury in each sector. The provincial injury rate is a composite figure, based on the injuries experienced in all sectors. To set targets, WorkSafeBC examines the current injury rate in each sector and estimates the impact that programs, initiatives, and changes within a sector will have on the injury rate in the coming year. The weighted average of these sectoral injury rates is the provincial injury rate target.

While WorkSafeBC has used the same criteria to measure the injury rate target from year to year, changes in economic activity can influence the results over time¹⁰. The following table shows the estimated change in the 2010 injury rate for each sector, compared with the final injury rate for 2009.

Injury rate by sector

Sector	Injury rate for 2009	Estimated change in 2010 ¹¹
Primary Resources	2.5	Higher
Manufacturing	3.5	Lower
Construction	4.6	Lower
Transportation and Warehousing	5.0	No change
Trade	2.3	Lower
Public Sector	4.0	No change
Service Sector	1.6	No change

This data also serves as a basis for WorkSafeBC to calculate its future targets.

Performance highlights

The provincial injury rate decreased from 2.34 in 2009 to 2.27 in 2010. This positive result and a 3 percent decline in the claims first reported to WorkSafeBC demonstrated that not only were fewer workers injured, but the frequency of injuries was lower. Overall, workplaces in B.C. were safer in 2010 than in any previous year. WorkSafeBC believes workers, employers, and other stakeholders take pride in knowing that their prevention efforts — along with those of WorkSafeBC — have contributed to this outcome. However, we also know these efforts are not fully responsible for this measure's improvement. WorkSafeBC believes other factors, such as recessionary economic conditions, contributed to the decline in the provincial injury rate. In past recessions and recoveries, changes have occurred. Specifically, 1981–1982 saw a 9.7 percent decrease in the provincial injury rate during a recessionary cycle; whereas, 1976–1977 saw 10.5 percent increase during a period of economic growth. More recently, economic downturns have generated declines of approximately 8 percent and 21 percent (as seen in 1994–1995 and 2008–2009, respectively). Changes of 2 percent to 6 percent year-over-year are more typical during periods of relative economic stability.

Some of the decline in the overall provincial injury rate can also be attributed to safety improvements in sectors with the highest risks. WorkSafeBC injury-reduction strategies have focused prevention resources on these sectors. The

manufacturing and construction sectors experienced lower injury rates. However, these sectors were also among those most affected by the recession. While the number of injuries and employment levels were lower in 2010, WorkSafeBC understands this could shift with the province's economic recovery.

While improvement in the provincial injury rate is encouraging, the rate of serious injury has not declined as quickly. From 2001 through 2008, the serious injury component of the provincial injury rate constituted 32 percent of the province's time-loss claims. In 2009, however, serious injuries rose to 35 percent — and to 37 percent in 2010. Overall, workplaces are safer with fewer workers getting hurt, including fewer with serious injuries. Going forward, an increased focus on serious injuries is planned.

Although a small component of the provincial injury rate, work-related fatalities continue to concern all workplace participants and WorkSafeBC. The year 2010 saw a 3 percent decrease in the number of WorkSafeBC claims and an 18 percent increase over 2009 in the number of fatalities in B.C. Even one workplace death is too many and, sadly, there were 143 fatalities in 2010 (121 in 2009). More than 50 percent of those fatalities were related to occupational disease — many of which resulted from workers' exposure to asbestos 20 to 50 years ago. Unfortunately, the number of fatalities related to occupational disease continues to rise as the number of traumatic fatalities is declining. This continues a long-term trend that makes occupational disease fatalities — primarily driven by asbestos-related disease — the top cause of work-related death in British Columbia. In 2010, WorkSafeBC continued supporting research, outreach, and enforcement activities to improve awareness, detection, and prevention of exposures that cause occupational disease.

Major programs and strategies

To achieve its mandate, WorkSafeBC takes the following three-pronged approach:

- **Enforcement** — WorkSafeBC is mandated to ensure employers comply with the *Workers Compensation Act* and the Occupational Health and Safety Regulation and related policy. It does so by conducting workplace inspections and applying written orders, penalties, and warning letters. The organization helps business owners, employers, supervisors, and workers understand and meet their legislated responsibilities — making workplaces safer for everyone. In 2010, WorkSafeBC increased its workplace inspections by 9 percent and issued 7 percent more corrective orders.

- **Consultation and education** — WorkSafeBC works with employers, workers, labour unions, and other stakeholders to improve workplace health and safety in B.C. It does this by providing top-quality information products and safety expertise to workplaces, both in person and online.

- **Incentives** — WorkSafeBC provides financial incentives for workplace health and safety management systems and return-to-work programs, and demonstrated improvements to safety performance. These incentives include discounts on premiums through WorkSafeBC's experience rating program and the Partners in Injury and Disability Prevention Program (see below).

In 2010, through its Prevention Injury Reduction Strategy WorkSafeBC focused on the following activities:

High-risk strategy

This strategy identifies high-risk sectors and subsectors¹².

WorkSafeBC reallocates resources to industries that need them most, based on their safety performance. In 2010, WorkSafeBC multi-disciplinary teams focused its resources on four primary high-risk industries (construction, health care, forestry, and manufacturing) and four secondary high-risk industries (agriculture, fishing, oil and gas, and transportation).

Partnerships with safety associations

In 2010, WorkSafeBC was involved with 30 industry health and safety initiatives. This included funding 12 safety associations and nine certifying partners for the Partners in Injury and Disability Prevention program, as well as partnering with safety-focused organizations on 24 initiatives — both large and small. Proposals for three new health and safety associations are currently in development. WorkSafeBC also worked with health and safety associations and organizations to develop industry-specific safety programs.

Partners in Injury and Disability Prevention

This program recognizes the benefits of, and supports, safety management systems. It provides premium rebates to employers who pass an audit and certification of their safety management program. Nine certifying partners — primarily safety associations — administer the program for their industries. To date, approximately 3,800 companies have received their Certificate of Recognition (COR).

Small Business Unit

More than 90 percent of firms registered with WorkSafeBC are small (they have fewer than 20 workers). These employers, from

all sectors of the economy, are less likely to have specialized information and training in occupational health and safety, and are often unaware of the requirements of the Occupational Health and Safety Regulation. WorkSafeBC's Small Business Unit engages stakeholders such as the Canadian Federation of Independent Business, the Surrey Board of Trade, and Small Business BC, to develop tools to create positive, systemic health and safety change for small business employers. The Small Business Unit provides online and printed health and safety materials explicitly for small firms and their specific industries in addition to delivering occupational health and safety presentations at annual meetings of industry associations, conferences, and trade shows.

Focus on Safety

Under this program, WorkSafeBC health and safety officers work to build a sustainable safety culture and improve safety records in companies with a disproportionately negative influence on the provincial injury rate. In 2010, WorkSafeBC continued to develop working relationships with senior managers and executives interested in improving health and safety in their workplaces, thereby reducing the human and financial costs of workplace injuries. Since the inception of the Focus on Safety program in 2007, 73 companies have committed to the program — with 26 successful completions. For these 26 companies, the average time-loss injury reduction has been 42 percent.

Outreach programs

WorkSafeBC's outreach programs are designed to foster safety across a wide variety of B.C. workplaces. In 2010, WorkSafeBC participated in community and industry forums and more than 100 trade shows and conferences.

WorkSafeBC is recognized as a world leader in developing occupational health and safety materials and making them available online. In 2010, the organization released 20 new videos, 10 new publications, and made numerous revisions to update existing materials. WorkSafeBC now offers many videos and publications in languages beyond English, including Chinese (simplified and traditional), French, Korean, Punjabi, Spanish, and Vietnamese.

Looking ahead

In 2010, the provincial injury rate dropped to 2.27 — a record low in B.C. This has become the new baseline for British Columbia.

Since the injury rate is a composite measure — based on injuries occurring in all sectors — achieving further reductions will be a challenge. Short-term economic conditions and changes in the mix of industry may put upward pressure on this rate. Thus, the target for 2011 has been set at 2.6, dropping to 2.5 for 2012 and 2013. Despite being higher than the 2010 result, this is ambitious, and will require significant effort on the part of all workplace participants and WorkSafeBC to sustain.

However, WorkSafeBC is optimistic that gains can be made over the long term by maintaining a consistent approach to injury prevention, focusing increased attention to problem areas, and specifically targeting reductions in serious injuries. Prevention of injuries — with an emphasis on preventing serious injuries and fatalities — is WorkSafeBC's top priority.

Various business reports show a gradual economic recovery is taking place in B.C. This means British Columbians are, fortunately, getting back to work, though in some cases this could mean new, unfamiliar work. Experience tells us that new workers are at greater risk of injury due to inexperience or unfamiliarity with work processes.

Employers may also not fully recover economically in 2011, so could be looking for ways to lower costs. This might include trying to do more with fewer resources, which could place workers at increased risk. With growth occurring in higher risk sectors, such as construction, WorkSafeBC will continue monitoring and working with these industries to ensure on-the-job safety is a priority.

Also, the composition of British Columbia's workforce will likely change, new health and safety issues may emerge, and non-traditional employer/worker relationships will continue to evolve — which all present challenges to workplace safety. WorkSafeBC will continue developing initiatives and partnerships to meet the needs of B.C.'s changing social and economic climate, working with employers, workers, labour unions, and associations to ensure B.C. workplaces are as safe and healthy as possible.

In 2011, WorkSafeBC will continue targeting reductions in serious injuries and fatalities in those sectors and with those employers that incur a higher-than-average number. In this way, WorkSafeBC can provide the greatest benefit to the greatest number of workers. Taking this approach, WorkSafeBC allocates injury prevention resources to high-risk sectors, including construction, health care, forestry, manufacturing, agriculture,

fisheries, oil and gas, and transportation, tailoring prevention strategies to the unique needs of each sector.

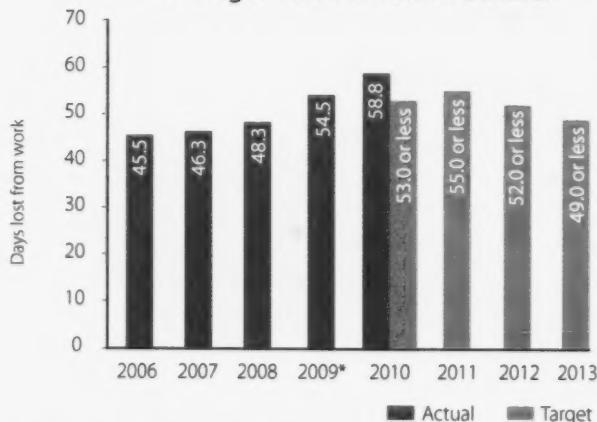
In 2011, in addition to focusing our resources on targeted strategies, WorkSafeBC will continue monitoring emerging safety issues and responding promptly to calls for assistance or information. Response desks have been set up across the province to provide timely answers to workplace-related safety queries and requests for officer assistance.

In 2011, WorkSafeBC will continue focusing our resources, and working with key business and labour partners to support new and young workers; address the risks of occupational disease; and increase each sector's ownership and accountability in reducing workplace injury, illness, and disease. To ensure WorkSafeBC's safety message reaches the province's diverse workforce, safety information will be provided, when possible, to workers in their first language. WorkSafeBC will also continue supporting injury-prevention education and awareness initiatives through a multi-year, targeted communications strategy.

WorkSafeBC's goal is to create a strong safety culture in B.C., reducing work-related injuries and raising occupational health and safety concerns so they are top-of-mind for all working British Columbians.

Key objective/performance indicator #2: Reduce the average short-term claim duration

Average short-term claim duration



* The 2009 duration was updated with a minor reduction of 0.1 day as a result of continuous data refresh.

Importance

The average short-term claim duration is the average number of days lost from work as a result of work-related injury, illness, and disease¹³. When an injury occurs, WorkSafeBC's claim management team aims to provide workers with timely clinical and other support services. Experience shows workers benefit most from returning to work as soon as is safely possible. In fact, evidence shows the longer workers are away from their jobs, the more difficult it is for them to return.

Setting targets

The duration of a short-term claim depends on a number of factors, such as the nature of the injury, age, and gender of the injured worker, and the worker's transferable skills. Other external factors can also influence the time required to process and complete a claim, including the timeliness of treatment and adjudication of the claim, availability of return-to-work opportunities, the general mix of claims accepted by WorkSafeBC at any given time, and the volume of claims from specific industry sectors.

WorkSafeBC establishes its targets for claim duration based on a number of factors. One factor is the degree to which the organization expects to manage a similar mix of claims over time. Another factor is projections for changes to WorkSafeBC systems, resources, and practices for expediting care and improving the efficiency of claim adjudication.

In setting its targets, WorkSafeBC also considers the overall economic climate and the ability of employers and workers to engage in return-to-work initiatives, workplace modification, and job accommodation programs.

Performance highlights

In 2010, the average short-term claim duration was 58.8 days, an increase from the 2009 result. The 2010 result was higher than the target for several reasons.

The slow economic recovery in 2010 continued to drive duration higher. While safe return-to-work continued to be a priority, economic factors resulted in fewer modified return-to-work options, contributing to longer claim duration.

In 2010, as a result of economic conditions and processing delays¹⁴, more claimants received benefits for longer periods of time relative to historic norms.

Major programs and strategies

When an injury occurs, WorkSafeBC supports the worker and his or her family toward a safe return to work following the worker's medical recovery.

In 2010, WorkSafeBC continued employing the following strategies to assist and support injured workers in their return to work:

- **Nurse advisor assistance** — Nurse advisors assist with return-to-work planning by supporting injured workers during the first eight weeks of their claims. In recent years, WorkSafeBC has expanded its team of nurse advisors to better meet the needs of injured workers.
- **Clinical programs** — A series of programs were customized to meet the individual needs of workers in a timelier fashion, thereby reducing wait times to process claims.
- **Industry segmentation** — The efforts of WorkSafeBC staff to identify and respond to the unique needs of specific industries has allowed the team to gain greater knowledge about those industries. Consequently, WorkSafeBC staff is better equipped to assist workers and employers in overcoming return-to-work barriers in these specific industries.
- **Resources for serious injuries** — Claims that meet the serious injury rate criteria tend to require longer periods of recovery. WorkSafeBC will continue allocating additional resources to identify the sources and causes of these injuries so as to reduce their frequency and impact on workers — including the duration of disabilities.
- **Improving processing** — When CMS was implemented in May, 2009, a number of systems and training issues prevented WorkSafeBC officers from being as efficient as usual. Backlogs were created in entitlement, case management, and vocational rehabilitation. CMS enhancements and training interventions were completed to resolve the processing delays by fall 2010.

In 2010, additional strategies were implemented to target high duration, including:

- Implementing a nurse line for the construction industry, to provide employers with direct phone access to nurse advisors with construction expertise to facilitate return-to-work planning.
- Establishing dedicated health care teams to work with the health authorities to improve duration and service in the health care sector.
- Executing targeted strategies to reduce WorkSafeBC's inventory of older claims by establishing dedicated case management teams. With medical advisor support, these

teams managed these return-to-work claims, or made referrals to Vocational Rehabilitation and/or Disability Awards. Through our improved reporting ability we were able to identify these claims and track progress. We also increased management oversight by installing dedicated client services managers in each office and/or region to ensure these claims all had a claims management plan. Consequently, in 2010, a reduction of 16 percent in the oldest claims receiving benefits was achieved. Also worth noting: improvements to case management service quality resulted from increased resources, as staff who had been dedicated to implementing CMS returned to case management and other vacancies were filled.

Looking ahead

In the coming years, WorkSafeBC expects to process a stable volume of claims. The proportion of very short to very long duration claims, however, is likely to change. The proportion of lower duration claims, which has declined in recent years, may rise as British Columbia's economy continues to recover from the recession. The new claims management system (CMS) is expected to enable improved disability management and earlier return-to-work outcomes. Together with administrative and operational efforts being focused on reducing the number of aged claims, an overall reduction in duration is anticipated in 2011. WorkSafeBC expects to see its short-term claim duration stabilize, and then decrease to 55 days or less in 2011, 52 days or less in 2012, and 49 days or less in subsequent years.

In certain regions of B.C., the economic downturn may also continue to affect claim duration levels by potentially reducing the number of modified-duty work opportunities. To mitigate this risk, WorkSafeBC is focusing its prevention activities on reducing the root causes of work-related injury, illness, and disease.

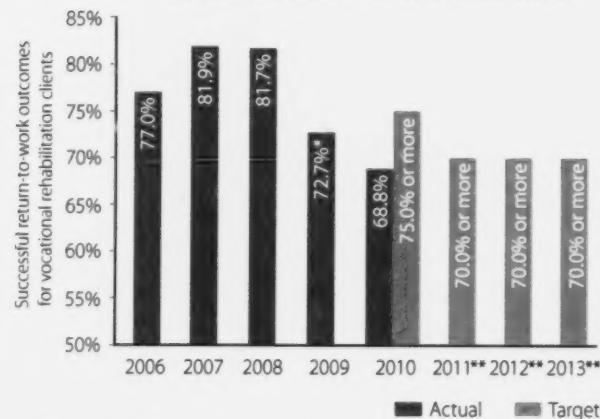
In 2011, WorkSafeBC will continue employing an early-intervention model, which allows WorkSafeBC nurse advisors and, if required, vocational rehabilitation consultants to support injured workers earlier in the claim process. Through hands-on implementation of return-to-work programs and disability-management systems, the work of these specialists is expected to reduce claim duration. However, the success of this approach remains closely linked with the availability of return-to-work options in B.C. workplaces.

To counter the effect of future employment losses, WorkSafeBC

continues to strengthen its partnerships with individual employers and industry associations to build increased capacity for successful return-to-work opportunities.

Key objective/performance indicator #3: Improve return-to-work outcomes for workers in vocational rehabilitation

Successful return-to-work outcomes



* The data for 2009 has been restated to include additional files that were completed by Vocational Rehabilitation Services but excluded due to a data capturing error that has since been corrected. As a result, there has been a minor increase of 0.9%.

** Based on the inverse correlation of the return-to-work outcome to B.C. unemployment rate, the 2011 target is set at 70 percent at the current unemployment rate, increasing to 73 percent if unemployment improves to 7 percent and decreasing to 67 percent if unemployment worsens to 8.5 percent.

Importance

The main goal of vocational rehabilitation is to ensure workers return to work as quickly, safely, and successfully as possible.

Without assistance, many workers with catastrophic, severe, and complex injuries will have great difficulty returning to work. Historically, about 5 percent of all injured workers who have wage-loss claims — approximately 3,000 workers a year — are referred to WorkSafeBC's vocational rehabilitation program for assistance with returning to work.

The program eases the transition back to work by offering workers counselling, vocational assessment, knowledge training and other skill development, and job placement support. To measure the effectiveness of its efforts, WorkSafeBC

tracks and records the number of successful outcomes for returning workers as a percentage of all return-to-work referrals completed annually by Vocational Rehabilitation Services.

Setting targets

WorkSafeBC strives to return all injured workers to lasting employment as soon as safely possible. However, workers referred to the vocational rehabilitation program have often suffered the kind of complex injuries that preclude a successful return to work, so the program is unlikely to achieve a 100 percent success rate. Some studies suggest it might be more reasonable to expect two-thirds to three-quarters of all referred workers to successfully regain employment. WorkSafeBC's current return-to-work targets reflect management's best expected outcomes, based on an assessment of its current programs, strategies, and projected employment opportunities (assuming a relatively similar mix of claim referrals from year to year).

Performance highlights

In 2010, WorkSafeBC achieved a return-to-work success rate of 68.8 percent. Although the results are lower than those attained in previous years, these figures remained high. Vocational rehabilitation consultants helped 1,558 workers return to suitable employment (up from 1,399 in 2009). Approximately 42 percent of these workers returned to work with new employers or became self-employed.

Successful return-to-work results are contingent on the availability of meaningful work. In previous years, results were exceptional given the abundance of employment opportunities, with unemployment rates ranging from 4.3 to 5.8 percent. This growth in the workforce enabled WorkSafeBC to exceed its targets for three consecutive years.

However, starting in 2009 and continuing into 2010, the economic landscape changed, with unemployment rates increasing to highs of 8.4 percent then slowly creeping back to an average of 7.6 percent (Source: B.C. Statistics). Economic recovery has been slow, which has resulted in fewer, safe, sustainable return-to-work opportunities. WorkSafeBC has reduced the target to 70 percent or more, to reflect more reasonable expectations of a good result in a normal growth economy.

Major programs and strategies

WorkSafeBC works closely with injured workers, physicians, employers, unions, and others to create return-to-work programs customized to meet workers' unique needs. Programs and services may include vocational counselling, return-to-work planning, worker-employer mediation, work assessment, worksite/job modification, job search and placement assistance, and help with training and education. WorkSafeBC's vocational rehabilitation staff also works with the most severely injured workers to assist them in returning to work.

Whenever possible, WorkSafeBC strives to return injured workers to work with their original employers — either in the same job, a modified version of the same job, or a similar role. If this is not possible, WorkSafeBC's Employment Development and Placement program offers other employment options. This program helps WorkSafeBC vocational rehabilitation consultants and their clients identify new job opportunities and offers employers incentives to offset the costs of hiring and training employees involved in return-to-work programs.

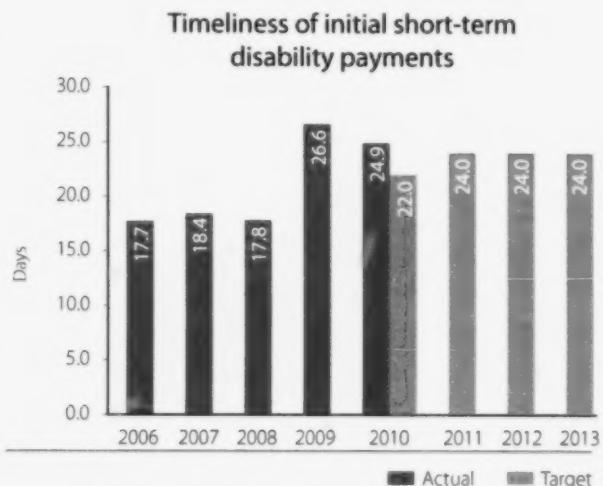
These incentives can include a brief and completely funded work assessment; a cost-shared, on-the-job training program; worksite modifications; and/or tuition costs for job-related courses.

Looking ahead

A vibrant economy requires a skilled labour force. In previous years, the demand for such resources has played a major role in the success of return-to-work initiatives. This being said, factors such as a sluggish economy and the demands of an aging workforce have changed the employment landscape. For example, we may see a growing number of workers opting for retirement rather than returning to work. In 2010, WorkSafeBC began looking at ways to track and measure this shifting trend toward increased retirement.

WorkSafeBC has adopted more conservative return-to-work targets and will, in 2011 and beyond, strive for a return-to-work rate of 70 percent or more. For returning workers who remain employed, this goal will be achieved through continued early intervention programs and an expansion of incentive programs to encourage employers to be more actively involved in the return-to-work process.

Key objective/performance indicator #4: **Improve timeliness of initial short-term disability payments**



Importance

Many of B.C.'s injured workers rely on benefits from WorkSafeBC to sustain themselves and their families until they are able to return to work. To ensure injured workers receive their first short-term disability payments on time, WorkSafeBC calculates the average interval between the disablement date (the first day an injured worker is entitled to wage-loss benefits) and the date the first payment is made. WorkSafeBC aims to disburse disability payments to injured workers as quickly as possible, without compromising the adjudication process. However, a number of external factors can affect the timeliness of compensation payments, such as the time required for workers, employers, and health care providers to register their claim information with WorkSafeBC.

Setting targets

Historically, WorkSafeBC had maintained timeliness between 16 and 22 days. With the implementation of the new operating system and business process (CMS), timeliness is expected to be in the 24 to 25 day range. A decision taken to hold off adjudicating claims until the critical information is on file has increased the lapsed time for the first payment. This shift places more responsibility on the employer and worker to submit claim information in a timely manner. For the 2011 to 2013 period, the target for the timeliness of payments is set at 24 days.

WorkSafeBC has validated with our customers that timeliness of three to four weeks is an appropriate target. Surveys indicate that greater than 80 percent of clients are satisfied — with ratings of very good, good, or average — if average timeliness is in the 24 to 25 day range.

Performance highlights

In 2010, timeliness improved by more than one day to 24.9 days³⁹ — compared to the 2009 result. Although timeliness remains above historical norms, the 2010 timeliness result is considered acceptable. With changes in the business process, timeliness is expected to remain in the 24 to 25 day range.

Improvements were made in the initial adjudication process, resulting in record-low queues of claims pending an adjudication decision.

Major programs and strategies

To improve initial adjudication timeliness, efforts are underway to increase the uptake of Teleclaim (for workers) and the online portal (for employers). Teleclaim continues to enhance the collection of claim information from workers; in 2010, a record number of claims were initiated through Teleclaim. Meanwhile, more employers are using this online portal to report injuries, streamlining claims information-gathering overall.

Use of the Language Line has also continued to increase, enabling clients to communicate with WorkSafeBC in their preferred language.

Meanwhile, a refocusing of entitlement resources has resulted in improved service and quality in the adjudication process.

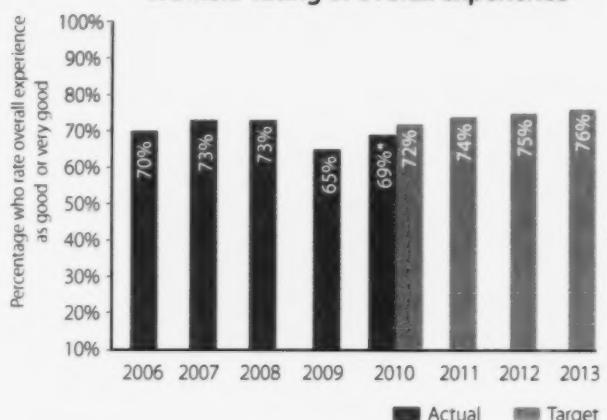
Looking ahead

WorkSafeBC anticipates that timeliness of payments will hold in the same range (24–25 days). For the 2011 to 2013 period, and beyond, targets have been set at 24 days.

Going forward, WorkSafeBC will continue to strive for service and quality improvements in the adjudication process and will continue validating timeliness results with our customers.

Key objective/performance indicator #5: Improve injured workers' rating of overall experience¹⁵

Workers' rating of overall experience



* The margin of error is \pm 4.9 percent, 19 times out of 20.

Importance

WorkSafeBC strives to deliver timely, caring, personalized service that meets or exceeds the expectations of injured workers. To measure its performance, WorkSafeBC conducts an annual random survey of approximately 400 injured workers to gauge their impressions of the organization and the level of service provided by its staff⁴⁰. The main indicator of success is how injured workers rate their overall experience with WorkSafeBC. The measure is rated on a five-point scale, from very poor to very good. The result is expressed as the percentage of injured workers who rate their experience as good or very good.

Setting targets

WorkSafeBC is mandated to provide fair compensation for workplace injury, illness, disease, and death within the boundaries set by law and policy. Given the adjudicative nature of this mandate, it is unlikely that all injured workers will agree with all decisions made regarding their claims. Also, the effort to return injured workers to work can become more challenging as the duration of the claim increases. As such, it is unrealistic to expect all injured workers will rate their overall experience as good or very good. WorkSafeBC is committed to delivering excellent service, but realistically estimates peak performance

at about 76 percent of injured workers rating their overall experience as good or very good.

Performance highlights

In 2010, 69 percent of injured workers rated their overall experience with WorkSafeBC as either good or very good — up from 65 percent in 2009, but three points below the target of 72 percent for the year. Eighteen percent of injured workers rated their experience as average, while 13 percent rated their experience as poor or very poor.

In the initial stages of the claim process, injured workers gave WorkSafeBC the highest overall experience rating of 82 percent, up from 78 percent the year before. In Entitlement, a latter stage in the claim process, 64 percent of injured workers with allowed claims rated their experience with WorkSafeBC as good or very good, up from 56 percent the year before. Thirteen percent of disallowed Entitlement clients rated their experience as good or very good. A further 23 percent of all workers in Entitlement rated their experience as average. Injured workers who moved on to Case Management tended to give WorkSafeBC higher marks. In 2010, 68 percent of workers in Case Management rated their overall experience with WorkSafeBC as good or very good, a 10 point increase from 2009.

According to the survey results, the majority of injured workers who rated their experience with WorkSafeBC as good or very good in 2010 did so because of the positive interactions they had with WorkSafeBC employees, the helpful/informative answers they received from staff members, and the timeliness of service provided. The most common reasons cited for an average, poor, or very poor experience were a lack of communication, and the length of time it took for claims to be approved.

Major programs and strategies

WorkSafeBC introduced a number of targeted strategies to improve the overall experience rating from injured workers in 2010. The central aim was to address ongoing challenges associated with the implementation of a new claims management system (CMS) (see page 24).

In previous years, when WorkSafeBC underwent comparable levels of change, its customer service ratings initially dropped. The introduction of CMS posed similar challenges. The initial implementation took longer than anticipated, creating service backlogs that carried over from 2009 to 2010. At the same time, WorkSafeBC employees had to learn a completely new way to do their work, giving them less time to communicate with

their clients, particularly in the months immediately following implementation.

To help address these issues, WorkSafeBC introduced a number of system enhancements in 2010. The changes, based on feedback from front-line employees, streamlined and simplified parts of the claim system, giving WorkSafeBC staff members more time to serve injured workers. WorkSafeBC also hired new claim staff to replace those who had retired or moved to different roles. This, in turn, freed up resources to reduce service backlogs that had developed during the changeover to the new system¹⁴.

Throughout 2010, WorkSafeBC continued to match injured workers with specialized, industry-aligned teams, and brought nurse advisors into the claim process early on to help with safe and timely return to work. In recent years, WorkSafeBC has expanded its team of nurse advisors to better meet the needs of injured workers.

WorkSafeBC also recently enhanced its Special Care Services team to provide more holistic support to severely injured workers (those with permanent, life-altering injuries, such as spinal cord injuries, catastrophic burns, amputations, and brain injuries). WorkSafeBC bolstered its services for these workers by adding to its team of medical specialists, case managers, psychologists, and social workers. Special Care Services also continues to enhance its ongoing training for staff working with those who have serious injuries.

In 2010, WorkSafeBC continued to refine and expand its Voice of the Customer (VOC) program — a stakeholder feedback strategy designed to identify the areas of service most important to employers and injured workers. Through regular surveys, the program allows WorkSafeBC to track service ratings on an office-by-office basis, identify areas of strength, and highlight opportunities for improvement. Feedback from the program is also integrated into various levels of training and professional development for WorkSafeBC employees. For example, all new claim adjudication staff members observe focus groups to hear workers' first-hand accounts of their experiences with WorkSafeBC.

Looking ahead

In 2010, the overall experience rating from injured workers was lower than expected due to the ongoing challenges of implementing CMS. However, by year's end, those challenges had diminished, and WorkSafeBC had made significant progress toward restoring service to previous levels.

As of December 31, 2010, there were fewer claims in queue awaiting adjudication; claim eligibility and wage-loss decisions were being made sooner; and wage-loss payments were getting to injured workers faster compared to the same period in 2009. WorkSafeBC expects these trends to continue in 2011.

As the organization further refines CMS and employees hone their expertise, the service provided to injured workers is expected to improve. Over the next few years, WorkSafeBC anticipates capitalizing on the full potential of the new system, leading to faster decision making on routine claims, better resource allocation, and improved quality and consistency of decision making for injured workers (see pages 24 and 103).

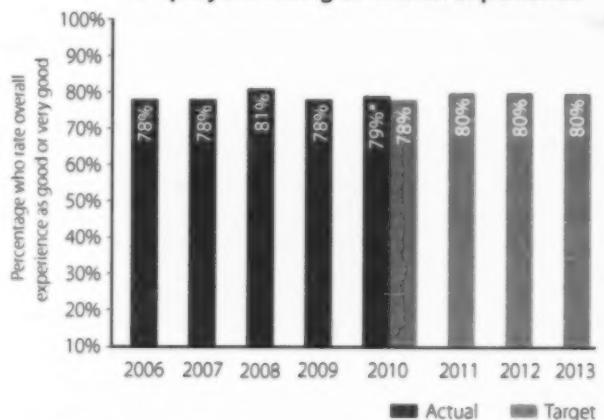
WorkSafeBC will also continue to enhance and refine its Voice of the Customer program to better understand and adapt to the changing needs of injured workers. In 2011, WorkSafeBC will undertake a series of pilot projects in different area offices based on feedback from the Voice of the Customer program and input from WorkSafeBC managers and staff. The goal is to identify and establish best practices in customer service which can be shared and embedded across the organization.

The volume of incoming claims is expected to remain relatively stable in 2011. If the volume does rise, however, service to injured workers could suffer. WorkSafeBC will continue to mitigate this risk through various strategic prevention initiatives (see page 27).

Considering all these factors, in 2011 WorkSafeBC is aiming for a new survey high — with 74 percent of injured workers rating their overall experience as good or very good. WorkSafeBC will strive to increase the rating to 75 percent in 2012, and reach peak performance of 76 percent in 2013.

Key objective/performance indicator #6: Improve employers' rating of overall experience

Employers' rating of overall experience



* The margin of error is +/- 4.9%, 19 times out of 20.

Importance

WorkSafeBC is committed to providing excellent customer service through its core functions of prevention, assessment, and compensation. To measure performance in these areas, WorkSafeBC conducts an annual random survey of 400 employers with two or more claims in the previous 12 months; in 2010, this survey took place between September 20 and October 4.

The key indicator of success is employers' rating of their overall experience with WorkSafeBC. This indicator reflects employers' overall satisfaction with the claim process, inspections, premiums, and WorkSafeBC as a whole. Employers are asked to rate their overall experience as very good, good, average, poor, or very poor. Success is determined by the percentage of respondents who rate their overall experience as good or very good.

Setting targets

In setting its targets for improving the overall experience of employers, WorkSafeBC considers its prior performance, and any anticipated operational challenges (such as changes in business processes, rates, claim volume, staff availability) stemming from the current and future economic environment. Taking these factors into account, and considering the organization's

mandate as a regulatory and decision-making body, WorkSafeBC estimates its peak performance among employers to be an overall experience rating of about 80 percent good or very good.

Performance highlights

In 2010, 79 percent of employers rated their overall experience with WorkSafeBC as good or very good, up one point from 2009, surpassing the target of 78 percent for the year.

This improvement was driven by an increase in good and very good ratings from large firms, which soared 11 points (from 73 percent in 2009 to 84 percent in 2010). Ratings from small firms fell from 78 percent in 2009 to 73 percent in 2010. The score from medium-sized firms declined marginally, down from 82 percent in 2009 to 81 percent in 2010. The rating from account-managed firms — those that receive specialized attention from WorkSafeBC due to higher-than-expected injuries — was also down slightly to 71 percent, compared to 74 percent in 2008, the last time this group was surveyed.

The three areas of WorkSafeBC's business that primarily shape employers' overall experience are the claim process, worksite inspections, and premiums costs. Of those three areas, employers' ratings of the claim process improved the most in the past reporting year. In 2010, a record-high 69 percent of employers rated the process as good or very good, a five-point improvement from the previous year.

Eighty-three percent of employers rated WorkSafeBC's claim staff as good or very good, besting the previous high of 79 percent in 2008. Employers were particularly impressed with the ability of WorkSafeBC employees to answer questions. Sixty-seven percent of employers rated WorkSafeBC's return-to-work support as good or very good, while 65 percent of employers rated WorkSafeBC's claim decisions as good or very good. Both are record-high scores for the organization.

In the area of prevention, WorkSafeBC held steady, with 69 percent of employers rating their workplace inspection as good or very good (an eight-point increase over the score in 2006). In the survey, more employers than ever before felt WorkSafeBC inspectors had a good understanding of their company's specific situation, provided clear and constructive feedback, and helped establish safer workplace practices.

In 2010, 84 percent of employers said they received average, good, or very good value for their premium payments, down slightly from 87 percent in 2009 — but still significantly above

the initial result of 66 percent in 2005. The 2010 score has been bolstered by WorkSafeBC's ability to maintain a low, stable, aggregate rate during a period of economic uncertainty over the past few years (see key objective/performance indicator #9, page 43).

Major programs and strategies

WorkSafeBC was able to improve the overall experience rating from employers in 2010 because of the efforts of WorkSafeBC staff, and ongoing initiatives — either directly or indirectly aimed at improving service for this group. During the year, WorkSafeBC continued to consult with employers, provide education and support, and maintain partnerships aimed at improving safety, lowering claim duration, and reducing claim costs.

In the months immediately following the transition to CMS, some employers experienced service delays. Large firms, particularly those with high-claim volumes, were most affected and consequently gave WorkSafeBC lower ratings. In 2010, those marks rebounded significantly. This was due, in part, to the increased proficiency of WorkSafeBC employees on the new CMS system, and to system enhancements introduced throughout the year. Employers rated several aspects of the claim process higher than ever before, citing the timeliness of decision making and being apprised of developments throughout the claim process as factors.

Employers also continued to benefit from the segmentation initiative, which aligns teams of WorkSafeBC employees with specific industries. These teams have developed expertise specific to particular industry sectors, enabling team members to better understand the unique job and worksite requirements associated with employers in each sector. In 2010, a record 62 percent of employers felt WorkSafeBC claim staff had a good or very good understanding of their respective industries, up seven points from the score in 2009.

In 2010, WorkSafeBC's Employer Service Centre (ESC) made a positive contribution to the overall experience score. The ESC handles all incoming phone calls from employers registering with WorkSafeBC, inquiring about payments, or discussing their classification. For the reporting year, 81 percent of employers rated the ESC as good or very good — one point above the previous high of 80 percent for 2009. ESC representatives earned particularly high marks for their courtesy and ability to resolve problems.

In 2010, the majority of surveyed employers expressed satisfaction with WorkSafeBC's system for reporting payroll, making payments, and managing their accounts online. Most employers also found WorkSafeBC's assessment statements and forms easy to understand. Indeed, scores in all four areas have improved significantly since 2007.

Employers' overall experience is also strongly influenced by the cost of premiums. In 2010, WorkSafeBC maintained a historically low level base premium rate, owing in part to its targeted prevention initiatives, a continued focus on safe and early return to work, and a prudent investment strategy (see page 62).

Looking ahead

As WorkSafeBC continues refining its new claim management system, and claim staff further hone their expertise using the CMS system, employers are expected to benefit from faster decisions, additional communication, and enhanced online tools for reporting and viewing claims. We expect such improvements will create a better overall customer experience for B.C. employers over the next few years.

Aside from the claim process, the other key components that influence employers' overall WorkSafeBC experience are worksite inspections and premium costs.

Employers' ratings of worksite inspections are expected to improve over the next few years. Through the Voice of the Customer (VOC) program (see page 105), WorkSafeBC measures and analyzes how to best deliver service during the inspection process — without diminishing its enforcement mandate. The research has provided valuable insight into how the inspection experience can be improved for employers and they can be engaged as partners in the safety process. In 2011, WorkSafeBC will expand its VOC research to understand, and ultimately improve, the inspection experience for employers who receive follow-up safety orders.

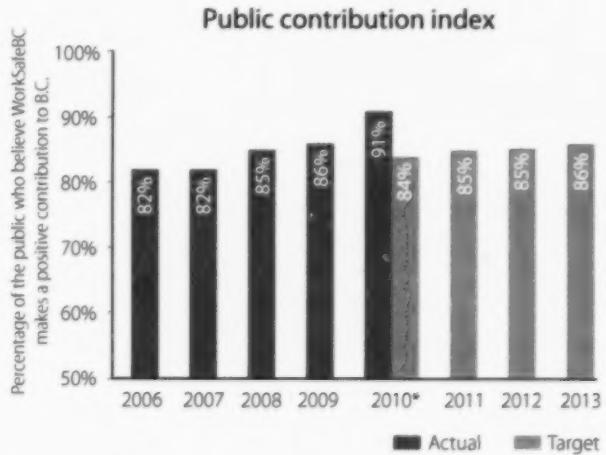
In the area of premiums, WorkSafeBC predicts historically low rates over the next three years. An increase in claim duration (see key objective/performance indicator #2, page 30) and continued economic uncertainty, however, may place upward pressure on the aggregate base rate. If rates do increase, this rise would have a negative effect on employers' overall experience ratings in the years ahead.

To help counteract this risk, WorkSafeBC will continue delivering prevention programs that ensure inspectors focus first on worksites most in need of their enforcement and safety support.

WorkSafeBC will also continue working with employers to support improved health and safety performance and disability management, thereby helping control claim costs.

Taking these and other factors into account, WorkSafeBC is aiming to increase the employer overall experience score to 80 percent in 2011 — and to maintaining that peak rating through 2013.

Key objective/performance indicator #7: Raise public confidence



* The margin of error is ± 3.5 percent, 19 times out of 20.

Importance

WorkSafeBC strives to be recognized province-wide as a valued public asset. As such, it relies on the trust and support of the larger community to improve workplace health and safety and return-to-work outcomes for injured workers. Increased public confidence in the organization enables WorkSafeBC to deliver its health and safety message more effectively and build durable partnerships with workers, employers, unions, employers' associations, and other workplace participants.

To measure public confidence, WorkSafeBC contracts Ipsos (formerly Ipsos-Reid) to survey approximately 800 B.C. residents at random at least four times a year (for this reporting year residents were surveyed from March 8–14, May 18–26, September 7–14, and November 23–25, 2010) gauging how they view WorkSafeBC and its contribution to the province. This

indicator calculates the percentage of those who rate WorkSafeBC's contribution as very positive or somewhat positive.

Setting targets

Each incremental increase in the index suggests greater public confidence and trust in the organization. WorkSafeBC requires this level of credibility to act as an agent of societal change and a champion of prevention, rehabilitation, and return to work. Targets are set by considering the organization's most recent results and the effect of external factors, with an eye toward long-term improvement.

This measure is sensitive to high-profile negative stories that may arise at any time. As a regulatory and enforcement agency, it is inevitable that actions or decisions will, from time to time, be perceived as negative — with the potential to drive down results for this measure. Past experience and advice from the survey firm suggests scores of 85 percent positive and above are rare among public regulatory organizations. WorkSafeBC has set 85 percent as its threshold target and is committed to increasing that threshold gradually if performance results of greater than 85 percent are maintained over time.

Performance highlights

In 2010, WorkSafeBC's average public contribution rating reached an all-time high of 91 percent positive — exceeding the target for the year, of 84 percent positive.

Of the 3,434 British Columbians who responded to WorkSafeBC's four surveys in 2010, 3,119 of the respondents (or 91 percent) said WorkSafeBC is making a very positive or somewhat positive contribution to the province.

These results reflect a continued trend — one that has seen WorkSafeBC's public contribution rating climb steadily from its 51 percent positive rating in 1996.

Major programs and strategies

WorkSafeBC's public contribution rating is not associated with a specific group of programs or initiatives; rather, it measures the larger community's perception of all aspects of the organization, including WorkSafeBC prevention initiatives, management and adjudication of claims, worker and employer education, return-to-work and rehabilitation programs, financial stability, communications, and more. The rating reflects on all WorkSafeBC activities summarizing the degree to which WorkSafeBC is viewed — and valued — as contributing to society.

Over many years, WorkSafeBC's extensive public awareness campaigns very likely contributed to its increasingly strong

public contribution rating. In 2010, the Raise Your Hand movement continued raising awareness among young workers about their right to be trained properly, and to refuse unsafe work, building on messaging from the 2007, 2008, and 2009 campaigns and underscoring that youth have the right — and responsibility — to ask questions about their personal safety in the workplace.

The campaign encouraged young people to visit RaiseYourHand.com, a web site where they could learn more about their safety rights; in 2010, the web site received nearly 132,000 page views — the most ever. In support of the campaign, a young worker team visited major youth festivals and school campuses around B.C., while WorkSafeBC created a major event to bring high-profile public attention to the safety needs of young workers. Injured worker and Paralympian Josh Dueck broke the Guinness World Record™ for the most "high-fives" given by an individual in 24 hours, connecting high-fives to the Raise Your Hand safety movement.

WorkSafeBC also employed a multi-pronged approach to deliver its safety message to youth, including a young worker speaker program involving 13,207 participants in B.C.'s high schools, and a WorkSafeBC/Canadian Paralympic Committee speaker team. Though only created in 2009, this speaker team has reached more than 4,200 people. WorkSafeBC's young worker speakers were invited to several other Canadian and U.S. jurisdictions including Newfoundland and Labrador, New Brunswick, and Washington State, where they reached about 14,500 people — predominantly high-school students. These presentations were fully paid for by the sponsoring jurisdictions.

WorkSafeBC conducted many high-profile awareness campaigns focusing on the safety issues affecting high-risk industries and at-risk demographics. This included creating 20 new health and safety videos that were added to the WorkSafeBC web site and YouTube; two well-publicized contests to encourage construction companies and workers to think 'safety first'; a continuing campaign to encourage drivers to reduce their speed in construction zones; a winter driving campaign aimed at professional drivers, in collaboration with the BCAA Traffic Safety Foundation; an ongoing back safety campaign with British Columbia's chiropractors; a safety campaign aimed at those in the forest industry in B.C.'s interior region, in partnership with labour and the BC Northern Interior Forest Industry; support for an eye safety awareness program with the Canadian National Institute for the Blind; participation in four parades reaching one million people; participation in

several home shows; columns and ads in trade publications; and, much more.

In addition, WorkSafeBC marked the Day of Mourning, an annual campaign that honours workers who have lost their lives as a result of workplace injuries or occupational diseases. WorkSafeBC also expanded the health and safety information provided across seven web portals that serve stakeholders whose first language is not English. And in fall 2010, WorkSafeBC launched its first major public awareness program to the South Asian and Asian communities, reaching 90,000 radio listeners and 60,000 television viewers in the South Asian community and 34,000 Mandarin-speaking viewers in the Asian community. The campaign was successful in reaching our target audiences, emphasizing the importance of safety at work, and building awareness of WorkSafeBC and its role in the workplace.

Looking ahead

WorkSafeBC has set a lower target level for its public contribution ratings in 2011 and 2012 than it achieved in 2010; however, these new targets are at higher levels than in previous years and are the highest targets ever set for this key performance indicator.

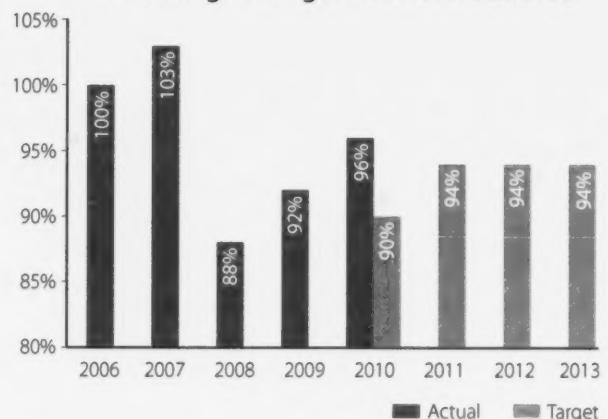
In 2011, WorkSafeBC will continue engaging in powerful campaigns to capture the attention of our stakeholders and the public, striving to change attitudes and behaviours about workplace safety across all high-risk industries and at-risk demographics, including young workers — the most at-risk demographic of workers.

Further, WorkSafeBC will increase its efforts to reach out to communities whose first language is not English to build a sense of shared ownership and responsibility for occupational health and safety and return-to-work initiatives.

By continuing to express the importance of public safety and provide ongoing service initiatives, WorkSafeBC will strive to increase public confidence in the organization, thereby improving the perceived value of the workers' compensation system among all British Columbians.

Key objective/performance indicator #8: Achieve 100 percent of the target asset level

Percentage of target asset level achieved*



* The accounting policies used to determine the 2006–2010 figures above were based on Canadian generally accepted accounting principles (GAAP) in place through 2010; targets for 2011–2013 are based on International Financial Reporting Standards (IFRS), reflecting the adoption of those standards as Canadian GAAP for publicly accountable enterprises beginning in 2011.

Background

WorkSafeBC determines its funding adequacy by measuring actual assets on hand against a target asset level:

Actual assets + Target assets

Actual assets are the total assets held by the organization, as shown on the consolidated balance sheet (see page 68).

The target asset level is calculated by adding the following three components:

- Total liabilities
- The various categories of reserves appropriated, as described in Note 10 of the consolidated financial statements (see page 86), excluding the Capital Adequacy Reserve
- The target level of the Capital Adequacy Reserve¹⁷ (see Note 2(E) of the consolidated financial statements, page 74)

This is a variation of the method other Canadian workers' compensation boards and the Association of Workers' Compensation Boards of Canada (AWCBC) use to measure funding adequacy, given that other organizations use only their liabilities

as a denominator. Using the AWCBC method, and, according to the most recent data available (2009), WorkSafeBC has one of the strongest financial positions of all workers' compensation boards in Canada (see Appendix B, page 98).

Importance

As an insurer, WorkSafeBC has significant fiduciary responsibilities, including the responsibility to ensure the compensation system remains financially viable. A key means of achieving this is to target an asset level sufficient to fund all future expected payments for current claims while considering risks to the assets and liabilities on hand.

Strong capital reserves serve the interests of employers by dampening the rate volatility that would otherwise arise from fluctuating returns on investments, and/or unforeseen costs beyond those assumed in the liabilities. WorkSafeBC invests in a balanced portfolio (see Financial Context, page 12) that includes equity investments that are expected to result in higher long-term returns. Higher returns allow lower long-term net employer premiums, but are subject to greater short-term swings in market value. Similarly, because WorkSafeBC's liability payments are long-term in nature, they are subject to potential changes in environmental factors or policies, some of which could potentially result in major cost increases. When either of these risks occur — a significant downturn in equity values, or significant, unanticipated costs — WorkSafeBC can draw upon capital reserves to limit employer premium rate increases.

Setting targets

The long-term target for this performance indicator is 100 percent of the target assets. This funding level will be achieved by setting aside funds in the Capital Adequacy Reserve in economically good years (see the Management Discussion and Analysis, page 50). At this optimum funding level, WorkSafeBC will have a sufficient capital reserve to withstand the risks inherent in the assets and liabilities (see Note 18 of the consolidated financial statements, page 92).

The target has been set at 94 percent for 2011 to 2013. Each year, WorkSafeBC develops targets for the next three years by projecting likely financial results, while considering factors such as expected investment returns and inflation, injury rate and claim duration trends, and likely outcomes of current strategies. While 100 percent is the optimum target, values in any given year may rise above or fall below this long-term target level, particularly as equity markets rise and fall. Since the 100 percent target level includes substantial reserves, and since the current

and targeted levels for this measure over the next three years still equate to an expected level of about 126 percent of assets over liabilities (the old measure¹⁸), WorkSafeBC is confident the published target amounts reflect the system's continued viability¹⁹.

Performance highlights

At 2010 year-end, WorkSafeBC's actual assets were 96 percent of the target value of assets required. A detailed calculation of this key objective/performance indicator is shown in the table below.

	As at Dec. 31, 2010 (\$ millions)	As at Dec. 31, 2009 (\$ millions)
Actual assets	\$12,647	\$11,970
Target assets		
Liabilities	\$9,693	\$9,688
Target Capital	\$2,857	\$2,732
Adequacy Reserve*		
Other reserves	\$590	\$540
Target assets	\$13,140	\$12,960
Key objective/ performance indicator (= actual assets/ target assets)	96%	92%

* For more information on the Capital Adequacy Reserve, see the Management Discussion and Analysis, page 59, and Note 2(E) of the consolidated financial statements, page 74.

Decisions made in earlier years regarding investment and reserve policies helped buffer WorkSafeBC from the full effect of declining markets in 2008, which saw an investment loss of -8.2 percent. The year 2009 saw a substantial recovery in equities producing a robust 8.7 percent return. Strong returns continued into 2010, producing a 9.8 percent market return, reflecting positive investment performance in both fixed term and equity investments.

Major programs and strategies

To move toward an asset level of 100 percent of the target assets, WorkSafeBC strives to apply sound investment policies and practices, prudently manage the employer assessment

process, and reduce claim costs by helping B.C. industries achieve lower injury rates and higher return-to-work rates. WorkSafeBC maintains a conservative, diversified investment portfolio designed to provide solid investment returns without undue risk to the system. By applying this prudent approach, WorkSafeBC provides reasonable assurance that, in the long term, investment returns will cover inflationary increases to benefit liabilities²⁰. In 2010, WorkSafeBC saw investment returns of 9.8 percent, slightly higher than the 8.7 percent investment return experienced in 2009. Over the five-year period ending December 31, 2010, WorkSafeBC's portfolio of investments has produced an average rate of return of 5.3 percent (see the Market return vs. required return chart, page 58).

In addition to investment returns, the workers' compensation system relies on employer premiums as a key source of income. To ensure timely and accurate collection of employer premiums, WorkSafeBC works closely with employers to verify estimated payrolls, confirm amounts receivable, collect overdue accounts, and educate employers on their payment obligations and potential savings opportunities. WorkSafeBC also investigates employers who default on their payments and may initiate proceedings against these employers, resulting in administrative penalties or court-imposed sanctions.

Claim costs account for approximately 97 percent of all liabilities against the Accident Fund. WorkSafeBC works in partnership with workers, employers, industry associations, unions, and other key stakeholders to reduce the incidence of occupational injury, illness, disease, and death (see key objective/performance indicator #1, page 27). And when these incidents do occur, WorkSafeBC endeavours to resolve claims quickly, safely returning the injured workers to lasting employment — strategies that play a major role in reducing claim costs (see key objective/performance indicators #2 and #3, pages 30 and 32 respectively).

Looking ahead

This key objective/performance indicator is based on, among other factors, the market value of the organization's assets (the numerator of the benchmark ratio), including investments. Thus, a certain level of volatility is to be expected in the future as equity markets continue to rise and fall.

The Board of Directors considers the financial stability and sustainability of the workers' compensation system a key priority. Consequently, WorkSafeBC sets assessment rates using smoothed investment accounting, rather than market value

accounting. This approach dampens the volatility (in both market and metrics) referred to above (see Financial Context, page 12). According to WorkSafeBC policy, the organization will draw upon its Capital Adequacy Reserve as required to limit year-to-year premium rate increases for employers.

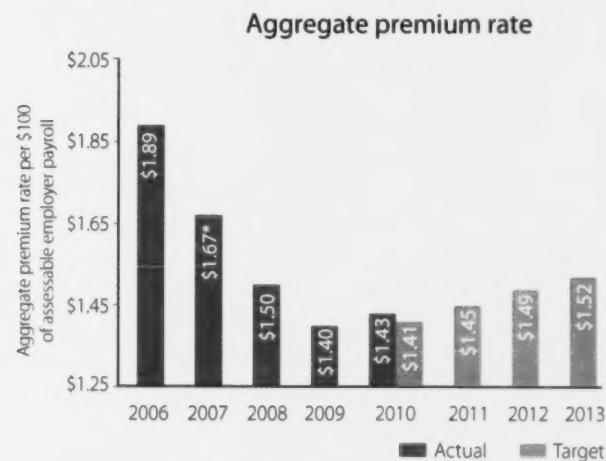
The targets for this key objective/performance indicator, set through 2013, reflect investment returns that are expected to be less robust than those observed from 2003 through 2006. As such, WorkSafeBC expects that it will be required to make a modest draw down from the Capital Adequacy Reserve during the 2011–2013 period to dampen year-over-year rate increases, in accordance with its funding policy. Thus, WorkSafeBC expects a slight decrease in this key objective/performance indicator in 2011.

To maintain performance levels in this area, WorkSafeBC manages administrative costs, works with employers to reduce injuries and improve return-to-work outcomes, and applies a prudent investment strategy. However, in striving for the long-term goal of 100 percent of the target asset level, the organization largely depends on obtaining investment returns in excess of actuarial assumptions. In years when returns outperform assumptions, WorkSafeBC usually expects to move closer to its ultimate target of 100 percent. But, since it is impossible to accurately forecast short-term financial market fluctuations, such outperformance is not built into the 2011 to 2013 targets.

It should also be noted that the Board of Directors has instructed the organization to conduct a review of the current Capital Adequacy Policy and reporting. This review will be presented to the Board in early 2011 — a review that could result in changes to the targets in this area.

The key objective/performance indicator projections cited above were developed in the context of current accounting and actuarial standards, which stipulate that investments are stated on the balance sheet at market value, whereas liabilities are determined using long-term assumptions. However, new International Financial Reporting Standards (IFRS) for insurance liabilities are currently under development, and expected to be implemented no earlier than January 1, 2013. These new standards could have a substantial impact on this indicator. Other IFRS changes effective in 2011 will have a negligible impact on this key performance indicator's metric (see Management Discussion and Analysis, page 63).

Key objective/performance indicator #9: Attain an aggregate premium rate between \$1.25 and \$2.25²¹



(Rates shown are final for 2006 to 2009 and estimated for 2010 to 2013)²²

* The 2007 aggregate rate does not reflect the effects of the \$86-million surplus rebate distributed in 2007. The aggregate rate, including this surplus rebate, was \$1.54 per \$100 of assessable payroll.

Importance

WorkSafeBC collects premiums from employers to cover the cost of operating the workers' compensation system. In exchange, employers are protected from lawsuits arising out of work-related injury, illness, disease, and death, and workers receive no-fault insurance for work-related injury and disease. Employers' premiums vary depending on the cost of claims in their industry's sector and the value of WorkSafeBC's total assets, but WorkSafeBC aims to maintain an aggregate premium rate between \$1.25 and \$2.25 per \$100 of assessable payroll. If the aggregate premium rate goes above \$2.25, it can put excessive financial strain on employers; if the rate dips below \$1.25, it can weaken the long-term financial sustainability of the system (based on the current environment).

Setting targets

Across Canada, 2010 premium rates averaged around \$2.08 per \$100 of assessable payroll and ranged from \$1.32 to \$2.95 per \$100 of assessable payroll. This variation is attributed to the differing mix of industries and benefit levels, as well as the funding level and coverage rules in specific jurisdictions.

Given the funding level range and premium levels in other jurisdictions, WorkSafeBC's target range of \$1.25 to \$2.25 is considered optimal in the present environment. If the injury rate continues to fall, and injured workers are returned to work quickly, costs will drop — also reducing pressure on premiums.

Performance highlights

The 2010 average premium rate collected from employers is \$1.43 per \$100 of assessable payroll, an increase of 2.1 percent from the 2009 aggregate rate of \$1.40. This relative stability in the aggregate premium rate is consistent with the stability of the 2010 published base rate which was unchanged from the 2009 level of \$1.56.

The aggregate premium rate of \$1.43 remains among the lowest in Canada (see Appendix B, page 99). Overall, approximately 46 percent of employers experienced either a reduction or no change in their base premium rates in 2010, while 54 percent experienced an increase.

Major programs and strategies

Claim costs are the primary driver of the aggregate premium rate. To reduce claim costs, WorkSafeBC works with employers, workers, and other key stakeholders to strengthen workplace health and safety; reduce the incidence of workplace injury, illness, disease, and death; and, facilitate workers' safe and durable return to work as soon as possible following injuries.

Some of the prevention activities undertaken by WorkSafeBC include educating and consulting with workers and employers on key health and safety issues, forging partnerships with industry associations to reduce workplace injury and illness, and reaching out to high-risk industry sectors and particular groups, such as young workers.

The prevention of injury and illness is the first — and best — strategy for reducing claim costs, but when injuries do occur, the single biggest factor that affects claim costs is claim duration. WorkSafeBC has a variety of strategies and programs in place to reduce the duration of claims and return injured workers to employment in a safe and timely manner. Through the assistance of WorkSafeBC vocational rehabilitation consultants, employers, and training organizations, the majority of workers referred to WorkSafeBC's vocational rehabilitation program are successful in obtaining suitable new jobs (see key objective/performance indicators #1, #2, and #3, pages 27, 30, and 32 respectively).

Looking ahead

In 2011, the estimated aggregate premium rate is expected to increase by 1.4 percent, to \$1.45 per \$100 of assessable payroll, from the 2010 level of \$1.43. This 2011 rate reflects the trend in recent years toward somewhat lower injury rates offset by removing a special capping rule (from the 2010 rates) which limited 2010 base rate increases to a maximum of 8 percent. In 2011, base premium rates will decline or remain unchanged for 44 percent of B.C.'s registered employers and increase for 56 percent. Rates are expected to rise gradually through 2013.

The target rates for 2011 (\$1.45) and 2012 (\$1.49) are lower than the corresponding targets set in 2009 (\$1.48 and \$1.52 respectively). The primary reason for this is that the financial experience of 2009 turned out to be more favourable (a higher surplus) than initially projected. This higher surplus, in turn, resulted in lower projected rates for 2011 and 2012, since surplus is returned to employers via lower rates.

Further reductions in base premium rates will depend primarily on a lower injury rate, a shorter claim duration, and/or a higher return-to-work rate for injured workers. Premium rate reduction may also result from favourable changes in external factors, such as the performance of financial markets or shifts in the general mix of workers and businesses participating in the B.C. economy.

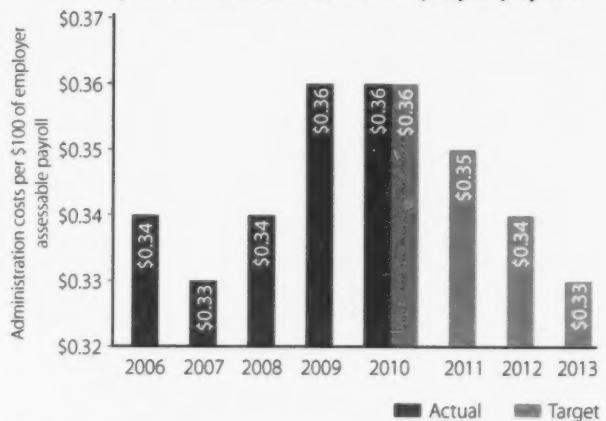
WorkSafeBC currently expects relatively stable injury rates, a reduction in claim duration in the longer term (in part driven by improved claim management technology), and continuing low inflation. However, in the aftermath of the global financial crisis, near-term future investment returns are expected to be relatively low compared to historical returns (see the Market return vs. required return chart, page 58). To mitigate market fluctuations and other risks, WorkSafeBC will continue refining and enhancing its prevention initiatives, return-to-work programs, financial investment strategy, and other activities that either directly or indirectly influence premium rates. Taking all these factors into consideration, WorkSafeBC is forecasting modest increases in the aggregate premium rate — \$1.49 for 2012 and \$1.52 for 2013.

These premium rates are increasing mainly because of an expected reduction in rate group surpluses. WorkSafeBC is expecting to see a reduction in these surpluses mostly because WorkSafeBC's rate setting methodology attempts to return these surpluses gradually back to employers via reduced premium rates. As the surpluses are diminished, the premium

rates must rise, all else being equal, as there are less surpluses available to return. To view supplementary information about WorkSafeBC's published base rates and final aggregate premium rates since 2005, visit WorkSafeBC.com.

Key objective/performance indicator #10: Control administration costs

WorkSafeBC's administration costs²³ per \$100 of assessable employer payroll*



* The accounting policies used to determine the 2006–2010 figures above were based on Canadian generally accepted accounting principles (GAAP) in place through 2010; targets for 2011–2013 are based on International Financial Reporting Standards (IFRS), reflecting the adoption of those standards as Canadian GAAP for publicly accountable enterprises beginning in 2011.

Importance

WorkSafeBC aims to provide value to stakeholders by delivering the highest level of service in the most cost-effective manner. One way WorkSafeBC measures its administrative efficiency is by calculating its annual administration costs per \$100 of assessable employer payroll.

Other Canadian workers' compensation organizations also use administration costs as a key statistical indicator, based on a common definition of administration costs, with adjustments to allow for operating and legislative differences (see Appendix B, page 99). By calculating its annual administration cost ratio, WorkSafeBC can compare and monitor the overall cost of administering the B.C. workers' compensation system.

Setting targets

In setting targets for its administrative cost ratio, WorkSafeBC balances the need to remain cost-effective with the need to

maintain high service levels for workers and employers. Both internal and external factors affect WorkSafeBC's performance and decision making in this area. For example, a decrease in the number of WorkSafeBC employees who perform claim-related work could lower the organization's administration costs. But such a reduction could also trigger longer rehabilitation times and lower return-to-work outcomes for injured workers, and ultimately increase claim costs.

Changes in the size of WorkSafeBC's workforce must follow a long-term trend, not mirror short-term fluctuations. This is because claim costs generally lag behind economic trends. For example, when the economy shrinks, as it did in 2009, the number of incoming claims tends to drop, but workloads and resource requirements do not, due to the disproportionate amount of work required on older or more complex claims. In 2010, the B.C. economy recovered but workloads and resource requirements remained at about the same as 2009 levels.

An improvement in B.C.'s economic activity could also cause an increase in the province's total assessable payroll, decreasing the organization's ratio of administration costs per \$100 of payroll, while a decline in economic growth could have the opposite effect. Given these variables, WorkSafeBC sets targets based on its best estimates of the organization's overall capacity, relative to B.C.'s expected economic growth. Since all workers' compensation organizations face similar administrative and financial challenges, this measure is designed to track WorkSafeBC's performance relative to that of other workers' compensation systems in Canada.

Performance highlights

WorkSafeBC's administrative cost ratio has been relatively stable over time. The ratio increased by \$0.02 in 2009 due to an increase in administration costs related to the implementation of the Claims Management Solutions (CMS) system and a decrease in assessable payroll related to the downturn in the economy. In 2010, WorkSafeBC's administration costs increased by \$17.4 million (or \$4.3 million for the subset of administration costs included in the AWCB definition of administration costs) while the province's assessable payroll increased by \$2.1 billion. The net effect is that this key objective/indicator actually improved by half a cent in the year, although this is not apparent in the reported figures due to rounding. Projections for 2011 through 2013 now see a return to pre-2009 levels.

Major programs and strategies

WorkSafeBC monitors and manages administration costs through a system of internal controls, including the following key control procedures:

- Monthly reviews and analyses of administration costs, including explanations of significant variances from plan by each division's financial manager with the chief financial officer (CFO) and corporate controller
- Monthly reporting of administration costs and variances to the president and chief executive officer (CEO), and the Senior Executive Committee, and regular reporting to the Audit Committee of the Board of Directors
- Quarterly business plan and budget reviews with the president and CEO, CFO, and corporate controller by each division's senior vice-president or vice-president.

Looking ahead

The administration cost ratio can be impacted by changes to either the ratio numerator, administration costs, or the denominator, the province's assessable payroll.

In terms of the numerator, WorkSafeBC has budgeted for administration costs to increase by 3.4 percent for 2011, 2.4 percent for 2012, and 1.8 percent for 2013.

The \$13.7-million (3.4 percent) increase to the organization's operating budget in 2011 is necessary to cover non-discretionary costs, including changes stemming from the implementation of International Financial Reporting Standards (IFRS); service improvements; CMS-related initiatives; training-related initiatives; and new strategic initiatives such as a health care portal project which will create a platform for modernizing WorkSafeBC's business model, work, and enhancing communications with customers.

Expected increases in 2012 and 2013 are due primarily to inflation estimates and non-discretionary increases (for example: WorkSafeBC's employee benefits and other contractual commitments). Increases will be mitigated by continued savings as a result of efficiencies from the new claims management system implemented in 2009.

In terms of the denominator, assessable payroll is expected to increase by 5.5 percent in 2011, and 4.9 percent in each of 2012 and 2013, based on projected changes in B.C.'s labour income, as estimated by the March 2010 B.C. Budget and Fiscal Plan per the provincial Ministry of Finance. The higher expected change in assessable payroll as compared to administration cost growth

contributes to expected reductions in this ratio in each of the coming years.

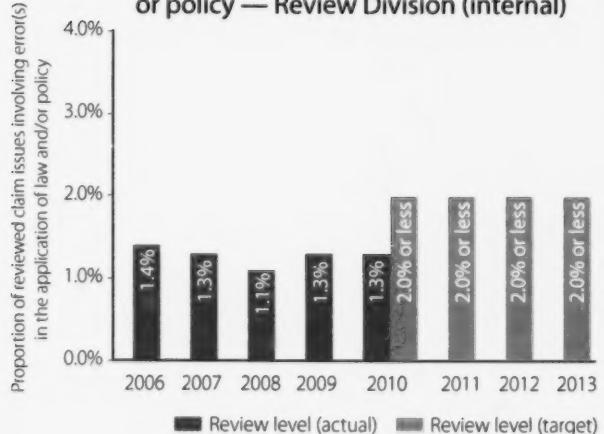
As compared to the targets in this area published in the *2009 Annual Report and 2010–2012 Service Plan*, WorkSafeBC has adjusted the 2011 target downward by \$0.01 and the 2012 target downward by \$0.02 per \$100 of assessable payroll. Targets were also impacted by a revised assumption regarding the portion of costs qualifying for inclusion in the AWCBC measure and a reduction in the employee pension obligation.

The accounting policies used to determine the targets for 2011 to 2013 are based on IFRS. The change in accounting policies from Canadian generally accepted accounting principles to IFRS will increase administration costs by about \$2 million per year due to the reclassification of administration costs recoveries to other categories. The impact of the reclassifications on the 2011 to 2013 targets is about one quarter of a cent each year.

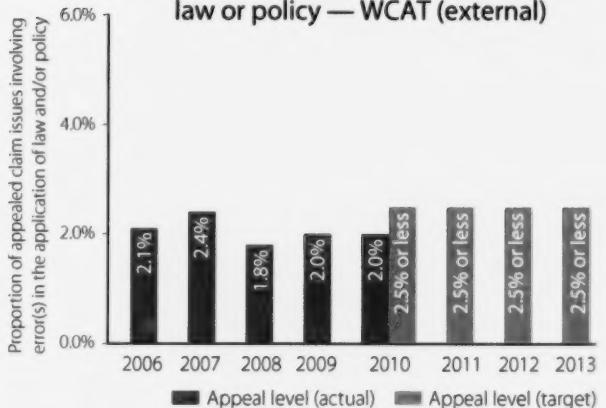
WorkSafeBC will continue monitoring and evaluating the balance between maintaining its administration costs and ensuring a high quality of service while preparing to adjust that balance to best meet the needs of stakeholders.

Key objective/performance indicator #11: Improve decision making throughout WorkSafeBC, ensuring consistency with legislation and policy

Claim issues leading to overturned decisions due to WorkSafeBC error in law or policy — Review Division (internal)



Claim issues leading to overturned decisions due to WorkSafeBC error in law or policy — WCAT (external)



Importance

Every working day, WorkSafeBC employees make thousands of decisions regarding compensation, prevention, assessment, and rehabilitation matters affecting B.C. workplaces. Their underlying goal: to arrive at the correct decision by weighing evidence in a consistent manner and ensuring compliance with applicable law and policy. In the absence of a law or policy to cover every conceivable situation each issue must be decided on its own merits, within the parameters of applicable law and policy.

In the vast majority of cases, these decisions earn the acceptance of those involved. Nonetheless, workers and employers have the right to appeal decisions if they disagree with WorkSafeBC's findings. For most WorkSafeBC decisions, two levels of appeal are available. The first level of appeal involves an internal review by WorkSafeBC's Review Division to ensure appropriate decisions have been made on issues in dispute. The second level of appeal involves the Workers' Compensation Appeal Tribunal (WCAT), a final, external source of appeal for WorkSafeBC matters that the tribunal is authorized to hear and decide.

Both the Review Division and WCAT are important parts of the adjudicative process. Their findings facilitate a better understanding of the principles related to workers' compensation adjudication and may highlight the need for policy reform, enhanced employee training, or additional stakeholder education.

Setting targets

Upon review or appeal of WorkSafeBC issues, the Review Division or WCAT may reach a decision that differs from the original decision, based on the receipt of new information or the reconsideration of existing information. These findings are part of the normal inquiry process rather than a reflection of erroneous decision making. WorkSafeBC also tracks the rate of errors coded by the Review Division or WCAT in the application of law and/or policy — the most objective and readily available measure of quality decision making.

Ideally, WorkSafeBC would decide every issue on every claim in accordance with law and policy. However, the everyday realities associated with maintaining adequate staffing levels, handling a high volume of other complex claims, providing ongoing training, meeting deadlines, and ensuring precision and accuracy in claim-coding judgments, all act as barriers to meeting the ideal objective of a zero-error rate.

In light of these practical limitations, WorkSafeBC has established this measure as an indicator of quality decision making. The Board of Directors has set the practical target error rate at 2 percent or less for primary WorkSafeBC decisions reviewed at the Review Division level and 2.5 percent or less for Review Division decisions appealed at the WCAT level. These targets, reviewed annually by the Board of Directors, have been extended to 2013.

Performance highlights

In 2010, the Review Division reviewed a total of 10,910 issues relating to 8,663 WorkSafeBC decisions. Of those issues, 138 (1.3 percent) led to overturned decisions because of a perceived error in WorkSafeBC's application of legislation or policy — better than the established target for the year. WCAT ruled on 4,787 issues relating to 3,383 completed appeals of Review Division decisions. Of those issues, 95 (2.0 percent) led to overturned decisions due to a perceived error in the application of legislation or policy — also better than the target established for the year.

To put these results in context: the Review Division upheld 67 percent of the issues it reviewed; 23 percent were allowed, or allowed in part; while 10 percent were returned to WorkSafeBC (back to the initial decision-making division for further investigation or determination).

Of the total appeals WCAT examined in 2010, 62 percent of the issues were upheld and 38 percent were allowed or allowed in part.

The table below and on page 48, provide additional information on the outcomes of the top five groups of issues most often reviewed or appealed in 2010.

Review Division — Outcomes of top five issue groups reviewed in 2010
(represents 62 percent of all issues and does not include issues returned for further consideration during 2010)

Issue group*	Decision upheld	Allowed or allowed in part due to error in law	Allowed or allowed in part due to error in policy	Allowed or allowed in part due to reweighing of existing evidence	Allowed or allowed in part due to reweighing with new evidence
Acceptance of a claim for an injury	2,013	6	18	283	251
Entitlement to a permanent partial disability award	987	5	7	161	69
Entitlement to a compensation for a temporary partial disability	594	1	4	155	96
Acceptance of a claim for an occupational disease	750	1	1	45	30
Reopenings/reconsiderations	459	2	4	46	34

*Issue groups have been stated in plain language.

WCAT — Outcomes of top five issue groups appealed in 2010
 (represents 73 percent of all issues heard by WCAT in 2009)

Issue group*	Decision upheld	Allowed or allowed in part due to error in law	Allowed or allowed in part due to error in policy	Allowed or allowed in part due to reweighing of existing evidence	Allowed or allowed in part due to reweighing with new evidence
Acceptance of a claim for an injury	928	12	12	69	468
Entitlement to a permanent partial disability award	477	10	8	59	280
Acceptance of a claim for an occupational disease	326	5	5	24	150
Entitlement to compensation for a temporary partial disability	232	2	3	29	88
Entitlement to a compensation for a temporary total disability	206	1	3	28	83

* Issue groups have been stated in plain language.

Major programs and strategies

To ensure decisions made under the *Workers Compensation Act* are consistent with legislation, regulation, and policy, WorkSafeBC undertakes a variety of programs to educate decision makers on appropriate methods of evidence-gathering and weighting, decision making, and documenting.

WorkSafeBC also operates quality councils for compensation, prevention, and assessment decision making. These senior-level councils, which include representatives from various areas of WorkSafeBC, review ongoing issues regarding the quality of decision making and develop plans for rectifying any identified problems. To complement this strategy, WorkSafeBC maintains working-level teams that widely represent the organization to help identify everyday service concerns and develop and implement immediate and long-term solutions.

WorkSafeBC's Review Division continued its Quality Decision Review program through 2010. The program addresses the quality of the division's decision-making process, including the division's correct application of law and policy. Without encroaching on the independence of its decision makers, review officers examine each other's draft decisions and provide constructive feedback before final decisions are released. Similarly, team managers and a quality assurance group review

selected decisions — either before or after decisions are issued.

The Review Division's quality assurance group also conducts in-depth reviews of decision making and training in select subject areas, such as protection of privacy; loss of earnings; and vocational rehabilitation, assessment, and prevention matters.

Looking ahead

Through 2013, for decisions being reviewed at the Review Division level, WorkSafeBC aims to maintain a rate of 2.0 percent or less for decisions overturned based on errors in the application of legislation and/or policy. For Review Division decisions being appealed at the WCAT level, the targeted rate through 2013 is 2.5 percent or less. Though these targets are less favourable than the results achieved in 2010, they are considered nearly optimal if current trends continue as expected (see Setting targets, page 47).

Continuing to adjust to new claim technology, new policies, and staff movement will put pressure on decision makers, potentially introducing additional errors in the application of law and policy or in the coding of errors. Ongoing training and quality-enhancing initiatives should mitigate this risk. WorkSafeBC will continue monitoring claim and review volumes, adjusting its resources where such measures are deemed necessary.





Our Finances

Management Discussion and Analysis

This section reports on WorkSafeBC's consolidated results and financial position for the year ended December 31, 2010. It should be read in conjunction with the consolidated financial statements and accompanying notes. This annual report and service plan contains forward-looking information, including assertions regarding the anticipated performance of WorkSafeBC. These assertions are subject to a number of risks and uncertainties that may cause actual results to differ from those outlined in the forward-looking information.

This document and *WorkSafeBC 2010 Statistics* are both available at www.worksafebc.com/publications/reports/annual_reports. Also available online is supplementary information regarding WorkSafeBC's operating results from an underwriting perspective, including the ten-year summary table (Schedule A in previous reports, prepared based on the smoothed investment accounting approach), a gain and loss analysis, and a statement of changes in rate group balances.

Overview of 2010 financial results

In 2010, WorkSafeBC's portfolio investment returns were very solid. While our overall return on portfolio investments was not as strong as that of some other organizations, our conservative approach to investing still yielded positive results. In 2010, our \$1.09 billion investment income (including unrealized market value gains reported under other comprehensive income) was much larger than expected. In 2010, this resulted in a total comprehensive income of \$672 million.

The previous two reporting years (2008 and 2009) had seen a severe downturn and a slow path to economic recovery. Because of this, WorkSafeBC did not add to its Capital Adequacy

Reserve, and in fact drew down on this reserve in 2008. Thus, when we had unexpected income in 2010, it was appropriate to bolster the reserve to ensure our future financial security. We did this by setting aside \$400 million of our 2010 total comprehensive income as an addition to the Capital Adequacy Reserve — \$200 million to make up for 2008 and 2009, and another \$200 million to help shelter against future uncertainty in the capital markets. It also seemed appropriate to add to the reserve, especially considering the volatility in our investment returns over the past 20 years. Over this period, we targeted an investment income range of 4 to 8 percent, but have only had actual results within that range in three of those years. In the

2010 and 2009 highlights

	2010	2009	Change
Financial highlights (\$ millions)			
Portfolio investments	11,998	11,315	683
Benefit liabilities	9,389	9,424	(35)
Unappropriated balance	380	694	(314)
Accumulated other comprehensive income	715	179	536
Reserves	1,859	1,409	450
Premium income	1,060	1,024	36
Investment income	554	148	406
Unrealized investment gains	536	1,111	(575)
— other comprehensive income			
Claim costs	1,293	1,322	(29)
Operating costs	185	167	18
Total comprehensive income	672	794	(122)
Operational highlights			
Percentage of target funding level achieved (see key objective/performance indicator #8, page 40)	96%	92%	4%
Aggregate premium rate (see key objective/performance indicator #9, page 43)	\$1.43	\$1.40	\$0.03
Number of insured employers	206,510	202,390	4,120
Number of workers covered	2.1 million	2.1 million	—
Injury rate (see key objective/performance indicator #1, page 27)	2.17	2.34*	(0.07)
Number of claims accepted	95,663	94,252	1,411

*2009 annual report stated estimate of 2.37, actual result available in March 2010 was 2.34.

20-year period from 1991 to 2010, investment returns ranged from a low of -8.2 percent in 2008 to a high of 20.7 percent in 1991.

The 2010 reporting year showed definitive and very positive signs of a recovery in the B.C. economy, and indeed the global economy. As a result, premium revenues were up slightly over 2009 — though we did see weaker growth starting in the third quarter, and the overall provincial payroll slip slightly at year end. There was an overall decrease in claim counts in 2010, but claim volumes did pick up in the second half of the year. The injury rate dipped, down from the 2.34 seen at the end of 2009,

to below 2.22 in the summer of 2010, but this since increased, finishing the year at 2.27. The concern is that this trend will continue into 2011. Continued focus on the injury rate and our ability to assist with return-to-work for those who do get hurt has also prompted us to set aside a reserve of \$50 million; to fund initiatives that will help us reduce injuries and improve return-to-work.

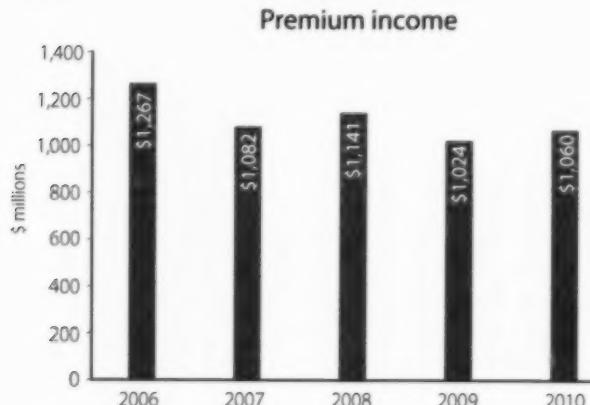
WorkSafeBC managed to keep the 2010 average base assessment rate at its all-time low of \$1.56⁻¹ per \$100 of payroll. The 2011 base premium rate set in 2010 is even lower at \$1.54 per \$100 of payroll.

Revenues

At WorkSafeBC, revenues are made up of two streams: premium income and investment income (including unrealized gains reported under other comprehensive income). In 2010, the distribution by source was 49 percent premium income and 51 percent investment income, for total revenues of \$2.15 billion. (2009: 45 percent premium income and 55 percent investment income for a total of \$2.28 billion).

Premium income

In 2010, premium income stabilized considerably after the major reduction in 2009. The construction sector continued reporting lower payrolls than it had over the last five years; there were higher assessments from the forestry, fishing, and oil and gas sectors.



Premium income consists mostly of assessments received from rateable employers, and, to a much lesser extent, self-insured employers²⁵. Rateable premium income is derived primarily from total assessable payrolls multiplied by the rate appropriate for each employer.

In 2010, the aggregate premium rate²⁴ of \$1.43 per \$100 of assessable payroll was slightly higher than the \$1.40 in 2009, the lowest in more than 30 years. Until this year, the rate had been declining since 2005, dropping \$0.56 (28 percent) during that period. This drop can be attributed primarily to a downward trend in overall claim costs from 2001 to 2010, robust investment returns from 2003 to 2006 and in 2009 and 2010, and an increasing assessable payroll base for the province through 2008 and again in 2010.

The premium revenue from self-insured employers reflects a recovery of claim costs paid on behalf of these employers, an allocation of administration costs to manage the claims from their injured workers, and the change in the actuarial valuation of self-insured employers' benefit liabilities.

Premiums for self-insured employers appear much lower in 2010, primarily due to the reclassifications of two major employers from self-insured to rateable at the beginning of 2010. The reclassifications resulted in a one-time transfer of \$25 million in benefit liabilities and premiums from self-insured to rateable — had these employers remain self-insured, the reduction in premium revenue from self-insured employers would have been \$17 million. The \$17 million lower premiums in 2010 is due to lower claim costs for this group, including a reduction of \$14 million due to lower actuarial valuations of benefit liabilities compared to the prior year (see page 58), and \$2 million due to lower claim costs recovery. An additional \$1 million variance was due to lower administration costs recovery.

Premium income reported in the consolidated financial statements is partially based on estimates. The final premium amount for the 2010 assessment year will not be fully known until May 2011, when almost all employers will have submitted their final premium reconciliation statements. To meet the reporting deadlines of the annual report, WorkSafeBC estimated

Premium income (\$ millions)	2010	2009	Change
Rateable employers	1,055	977	78
Self-insured employers	5	47	(42)
Total	1,060	1,024	36
Base premium rate	\$1.56	\$1.56	\$0.00
Aggregate premium rate	\$1.43	\$1.40	\$0.03
Assessable payroll (\$ billions)	\$72.06	\$70.75 ^a	\$1.31

^a This figure has been restated. The 2009 annual report stated an estimate of \$69.93 billion.

Self-insured premium income

(\\$ millions)	2010	2009	Change
Cost recoveries	41	44	(3)
Removal of unfinalled claims liabilities from self-insured group	(25)	—	(25)
Change in actuarial valuation unfinalled claims liabilities	(11)	3	(14)
Total	5	47	(42)

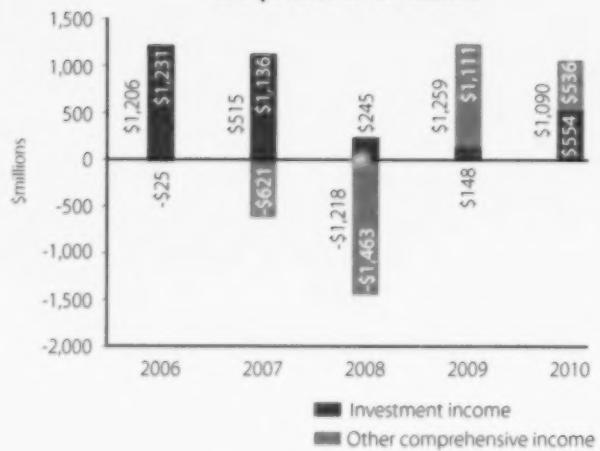
the value of premium income based on financial data from January 2011. Given the uncertainty associated with this estimate, the organization has tended toward a conservative approach. The difference between the underestimated value of premium income and the final amount has not been more than 1.0 percent in the previous four years. Any difference between the final remittances from employers and the accrued amount resulting from estimates will be recognized as premium income in the following year.

Investment income

In 2010, investment income of \$554 million was \$406 million higher than in 2009. Investment income relates only to transactions that occurred during the year, including interest and dividends received, and realized gains or losses on sales.

Because of the market volatility that continued into 2010, WorkSafeBC's Investment Committee continued positioning the portfolio conservatively. As well, to increase returns for the Accident Fund, the Investment Committee made asset allocation decisions that resulted in the sale and purchase of investments. Tactical trading actions within the pool funds managed by WorkSafeBC's portfolio manager, British Columbia Investment Management Corporation (bcIMC), also resulted in realized gains and losses. Related asset movements generated realized net gains of \$249 million in 2010.

Total investment income and other comprehensive income



If the Accident Fund held an investment and did not sell it in 2010, any gains or losses on that investment would not be reflected in investment income — except for investments classified as held-for-trading²⁵. Instead, these unrealized investment gains or losses would be reflected in other comprehensive income or loss (see the side bar, Other comprehensive income and loss, on the next page). For the total market value investment income or loss, net unrealized market value gains or losses from available-for-sale²⁶ investments (or other comprehensive income or loss) should be added to investment income, as shown in the chart above. In 2010, other comprehensive income was \$536 million, for a total market value investment gain of \$1.09 billion. Most of the income represents market value gains early in 2010 and in the last two quarters, and reflects the significant gain in global stock prices and gains from the increase in bond prices.

Investment income			
(\$ millions)	2010	2009	Change
Interest and dividends	297	331	(34)
Realized net gains (losses) on sales	249	(188)	437
Market value gains on held-for-trading investments	8	5	3
Total	554	148	406

Other comprehensive income			
(\$ millions)	2010	2009	Change
Market value gains (losses) on available-for-sale investments	536	1,111	(575)

WorkSafeBC was able to take advantage of good returns in the early part of 2010, and took full advantage of market gains in the fall — and after mid-term elections in the U.S., in November 2010. See the Portfolio investments section (page 57) for a discussion on the total portfolio value gains in 2010.

Other comprehensive income or loss

The other comprehensive income line item in the Statement of Operations appears below the operating results line, suggesting it be viewed in a different context from normal operations. The unrealized market value gains or losses are reported in the Statement of Operations as other comprehensive income — which represents market valuations of portfolio investments at the balance sheet date. These gains or losses are subject to market value fluctuations. Since the majority of the portfolio of investments is held to meet payment obligations extending into the distant future, the valuation of investments provides a snapshot of WorkSafeBC's financial position at a single point in time. From year to year, short-term changes in financial markets can produce significant variations in this line item, as seen since 2008. WorkSafeBC's investment policies are designed to meet the long-term duration profile of liabilities.

In 2010, other comprehensive income was \$536 million, and accumulated other comprehensive income was \$715 million. The chart on the previous page combines investment income and other comprehensive income or loss.

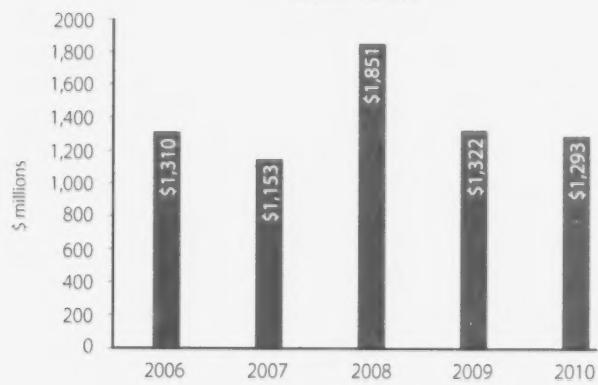
Expenses

WorkSafeBC's expenses consist of claim costs and operating costs, which includes administration costs and funding for injury-reduction initiatives.

Claim costs

Claim costs consist of benefit payments and the change in actuarial valuation of benefits. In 2010, benefit payments were \$1.3 billion, an increase of \$82 million from 2009. WorkSafeBC made these cash payments in 2010 to workers, their survivors or employers, and rehabilitation and health care providers. Benefit payments also include an internal allocation of costs for the Vocational Rehabilitation department and for claim administration. The breakdown of these payments is noted in the table below.

Claim costs



Benefit payments

Short-term disability (STD) payments were essentially the same as 2009. The number of injuries and claims were down in 2010, but there was an increase in the average length of time and the average rate a worker was paid while on a claim. The pay period is termed 'the claim's duration' (see key objective/ performance indicator #2, page 30). In 2010, duration increased by 7.9 percent, to 58.8 days. The total days paid for STD claims in 2010 was 2.8 million days, at an average daily rate of \$98.99. This was a 0.7 percent increase in the wage rate of the average worker receiving compensation.

Long-term disability (LTD) payments constitute the largest set of payments WorkSafeBC makes on an annual basis. In 2010, these payments were \$11 million higher than the previous year. Due to the relatively low inflation rate at January 1, 2010, there was no increase in 2010 payments due to indexation⁹.

Over the past five years, survivor benefit payments have been relatively stable. As with long-term disability payments, indexation did not add to payments in 2010.

In 2010, health care payments were up substantially due to the higher costs of health care services, and partly due to the increased duration of STD claims. (The longer a claim lasts, the longer medical benefits are required.) We now have significantly more data on health care costs in 2010 — data we are using to analyze various approaches to control costs in this area.

In 2010, vocational rehabilitation benefit payments increased for the fourth consecutive year. These expenditures reflect a longer

wage-replacement period for workers who received vocational rehabilitation benefits, and an increase in an average worker's daily rate, as previously mentioned. The slower economy is starting to have an impact on WorkSafeBC's ability to assist workers in returning to work.

Claim administration costs are discussed in the operating costs section, on the next page.

Changes in actuarial valuations

In 2010, the changes in actuarial valuations of benefit liabilities totalled a decrease of \$35 million.

The lower total changes in actuarial valuations in 2010 account for a net decrease in claim costs of \$111 million over 2009. The actuarial valuation changes are based on the recent payment history of various types of benefits, including payments on claims as old as 50 years. WorkSafeBC then uses trend data and price indices to estimate future potential liabilities.

A fundamental part of the actuarial equation is the net discount rate used to assess these liabilities (the difference between the assumed future investment return and future inflation rate). The 3.0 percent net discount rate was continued in 2010 and has remained unchanged for two years.

Changes in actuarial valuation are non-cash in nature, because they do not get paid out on claims in the current year. They are strictly a reflection of the expected future cost of claims that occurred in the current and previous years.

Claim costs (\$ millions)	2010	2009	Change
Benefit payments			
Short-term disability	280	280	—
Long-term disability	373	362	11
Survivor benefits	63	64	(1)
Health care	287	234	53
Vocational rehabilitation	87	68	19
Claim administration	238	238	—
	1,328	1,246	82
Change in actuarial valuation of benefit liabilities	(35)	76	(111)
Total	1,293	1,322	(29)

Operating costs

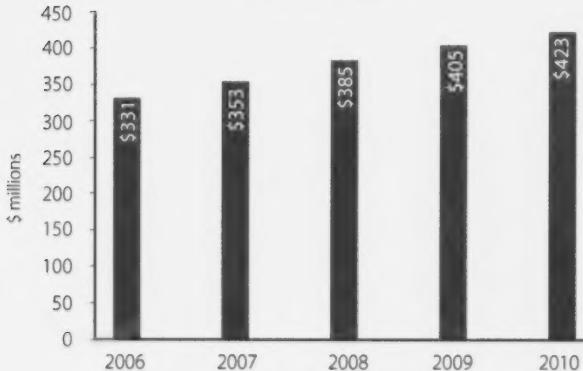
In 2010, operating costs were \$18 million higher than in 2009. This result was consistent with expectations for 2010, and partially due to non-discretionary increases in administration costs — primarily non-recurring increases in employee long-term disability costs of \$18 million, non-recurring increases in liability for employee long service allowances of \$4 million due to revision in the actuarial valuation basis, and increases in employee pension plan obligations of \$9 million as a result of actuarial adjustments. The \$31 million increase in employee benefit costs were offset by decreases in administration costs in other areas. The organization has also continued to incur costs related to the CMS system implementation in 2009. In 2010, WorkSafeBC began realizing savings as a result of efficiencies from the use of the new system — savings that should further increase in 2011.

Administration costs in most areas decreased in 2010, including decreased facilities maintenance costs, reduced equipment and leasing costs, and lower software maintenance and technical support expenses.

Expenses for injury-reduction initiatives, which increased by \$7 million in 2010, consist primarily of funding that WorkSafeBC provides to various industry associations to administer specialized occupational health and safety programs. These industry association programs are funded through special levies or charges against specific classification units.

Claim administration costs relate to the portion of operating costs incurred to adjudicate claims for compensation, to manage claims, and process claim payments. These payments are deducted from the total operating costs to prevent 'double counting,' because they are already included as a claim cost in the standardized financial statement presentation used by workers' compensation organizations in Canada.

Operating costs



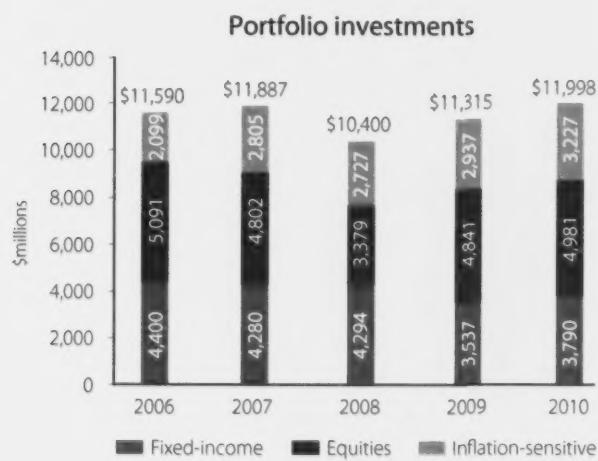
Operating costs (\$ millions)	2010	2009	Change
Administration expenses	397	386	11
Injury-reduction initiatives	26	19	7
	423	405	18
Less: Claim administration costs	238	238	—
Total	185	167	18

Balance sheet

The largest and most important components of WorkSafeBC's balance sheet are its portfolio investments and benefit liabilities.

Portfolio investments

The chart below shows the grouping of various types of investments by asset allocation categories. Overall, in 2010, the portfolio increased in value from \$11.3 billion to \$12.0 billion. This increase reflects the \$1.09 billion investment income discussed previously, less withdrawals to fund claim payments.



In 2010, the investment portfolio continued to be positioned defensively. WorkSafeBC's Investment Committee has maintained the investment portfolio close to its target weights. The asset allocation targets²⁷, established under the investment policy, are relatively conservative; more than half of the assets are allocated to fixed income and inflation-sensitive investments.

With our new category of inflation-sensitive assets clearly delineated, the asset mix stayed within range throughout 2010. By year-end, the investment portfolio consisted of 32 percent fixed-income, 41 percent equity, and 27 percent inflation-sensitive assets, compared to the related investment policy targets of 33 percent, 39 percent, and 28 percent, respectively.

While no investment is risk-free, the majority of WorkSafeBC's investments, with the exception of cash, are held for the long term in securities of solid sustainable organizations, and in countries with established or growing economies. Over time, the investment portfolio has grown significantly, from \$10.4 billion at the beginning of 2006 to \$12.0 billion at the end of 2010. The fund is now above its previous year-end high, recorded at the close of 2007.

WorkSafeBC's management anticipates a continuing recovery in the market prices of long-term investments. Management continues to be concerned about sovereign debt issues in Europe and the growing size of the U.S. deficit. There is a concern that higher levels of inflation will return in the near future, however that appears less probable at the current time and more likely a factor towards mid-decade.

In terms of investment performance, the portfolio's 2010 market return was a gain of 9.8 percent²⁸, compared to a gain of 8.7 percent in 2009. This exceeded WorkSafeBC's minimum return requirement²⁹ for the year, of 4.4 percent. However,

Portfolio investments			
(\$ millions)	2010	2009	Change
Fixed-income	3,790	3,537	253
Equities	4,981	4,841	140
Inflation-sensitive	3,227	2,937	290
Total	11,998	11,315	683

annual variations in the market return should be viewed in light of longer-term results, shown in the chart below. Since the beginning of 2006, WorkSafeBC has significantly increased its funded position — even after the capital market events that began in 2007. Over the past five years, the actual amount that assets have exceeded liabilities has grown from \$2.3 billion to \$3.0 billion. The use of the surplus positions to fund a Capital Adequacy Reserve has helped keep WorkSafeBC in good stead through the financial crisis that began in 2008 and continued into 2009. To ensure financial stability going forward, we added \$400 million to the reserve in 2010.



Benefit liabilities

In estimating benefit liabilities, the two most important underlying assumptions are the net discount rate and the future payment pattern.

Net discount rate — Expected future benefit payments are discounted to arrive at a present value liability amount. The net discount rate is 3.0 percent. A 1.0 percent change in the discount rate would change liabilities by approximately \$1.1 billion.

Future payment pattern — Benefit liabilities consist of two major categories. Each incorporates an estimate of the future payment pattern:

- Pension awards, capitalized values — This is the present value of monthly annuities (or pensions) already awarded to workers (long-term disability) or survivors of deceased workers. The potential estimation error in this \$4.5-billion liability is relatively small, as the awards are known.
- Provision for unfinalled claims — This is the present value of future payments on existing claims yet to be awarded. While WorkSafeBC cannot determine the exact measure of the ultimate uncertainty in the estimate of unfinalled claim liability, historical data suggests this expected uncertainty could range from plus or minus 20 percent, or about \$1.0 billion.

In 2010, total benefit liabilities showed a slight decrease of \$35 million, or about 0.4 percent. From 2001 to 2010, the change in actuarial valuation of this liability has been trending downward³⁰, but may be close to reaching the end of that trend. Factors such as short-term disability duration, the success of vocational rehabilitation in returning workers to work, and general economic conditions could all influence a change in the value of the liability. As well, judicial or legislative decisions that change policy or the scope of coverage could also affect the valuation of benefit liabilities.

Benefit liabilities (\$ millions)	2010	2009	Change	Total	
				Short-term disability	Long-term disability
Short-term disability	284	—	284	305	(21)
Long-term disability	1,894	3,756	5,650	5,803	(153)
Survivor benefits	77	782	859	846	13
Health care	1,776	—	1,776	1,697	79
Vocational rehabilitation	194	—	194	181	13
Claim administration	626	—	626	592	34
Total	4,851	4,538	9,389	9,424	(35)

Reserves

WorkSafeBC maintains a number of reserves, as shown in the table below and described in Note 2(E) of the consolidated financial statements, page 73.

In 2010, there were two important changes to the reserves. The first was an addition to the Capital Adequacy Reserve of \$400 million. The Capital Adequacy Reserve, created in 2007 (although funding began in 2005³¹), is the largest reserve at, \$1,269 million. It is fashioned after the Office of the Superintendent of Financial Institution's (OSFI) capital adequacy test used, in the private insurance sector.

The idea of the Capital Adequacy Reserve was — and continues to be — to set aside funds in the economically good years to ensure the Accident Fund is sustainable throughout more challenging periods. In 2008, during the global financial crisis, we saw the prudence of this approach. We are now taking steps to ensure WorkSafeBC's continued viability into the future.

The second change to the reserves was to add a new reserve named the Injury Reduction and Return-to-Work Initiatives reserve. WorkSafeBC set aside \$50 million in this reserve so that earnings generated from this reserve can fund worthwhile initiatives aimed at reducing the injury rate of the province and improving return-to-work practices.

This new reserve, and the other seven reserve categories — not including the Capital Adequacy Reserve — are intended to cover specific risks unique to workers' compensation, risks that are largely not part of a private insurer's risk profile.

Reserves (\$ millions)	2010	2009	Change
Contingent reserve	3	3	—
Disaster reserve	16	16	—
Enhancement reserve	21	21	—
Latent occupational disease reserve	200	200	—
Earthquake disaster reserve	20	20	—
Research reserve	30	30	—
Injury reduction and return-to-work initiatives reserve	50	—	50
General reserve	250	250	—
Capital adequacy reserve	1,269	869	400
Total	1,859	1,409	450

Comparison to plan

Each year, WorkSafeBC prepares pro-forma financial projections as part of its annual business planning process. The performance targets for key objective/performance indicators #8, #9, and #10 (see pages 40, 43, and 44 respectively) are based on these projections. The financial projections are, by design, conservative in nature.

In 2010, the organization's total comprehensive income was \$867 million better than plan, primarily because of higher-than-planned capital market returns. Investment income and other

comprehensive income were both over plan, by \$257 million and \$454 million, respectively, as discussed in the Investment income section (see page 53). Premium income was also higher than planned, by \$33 million, as discussed in the Premium income section (see page 52).

Claim costs were close to plan. Higher-than-planned vocational rehabilitation and survivor benefit costs were offset by lower-than-planned, short-term disability, long-term disability, and health care costs. Operating costs were essentially according to plan for the year, except for higher-than-planned funding for injury-reduction initiatives.

In 2010, the funding level of the Accident Fund was 130 percent (assets compared to liabilities), and the percentage of the target asset level achieved was 96 percent (assets compared to the target asset requirement level).

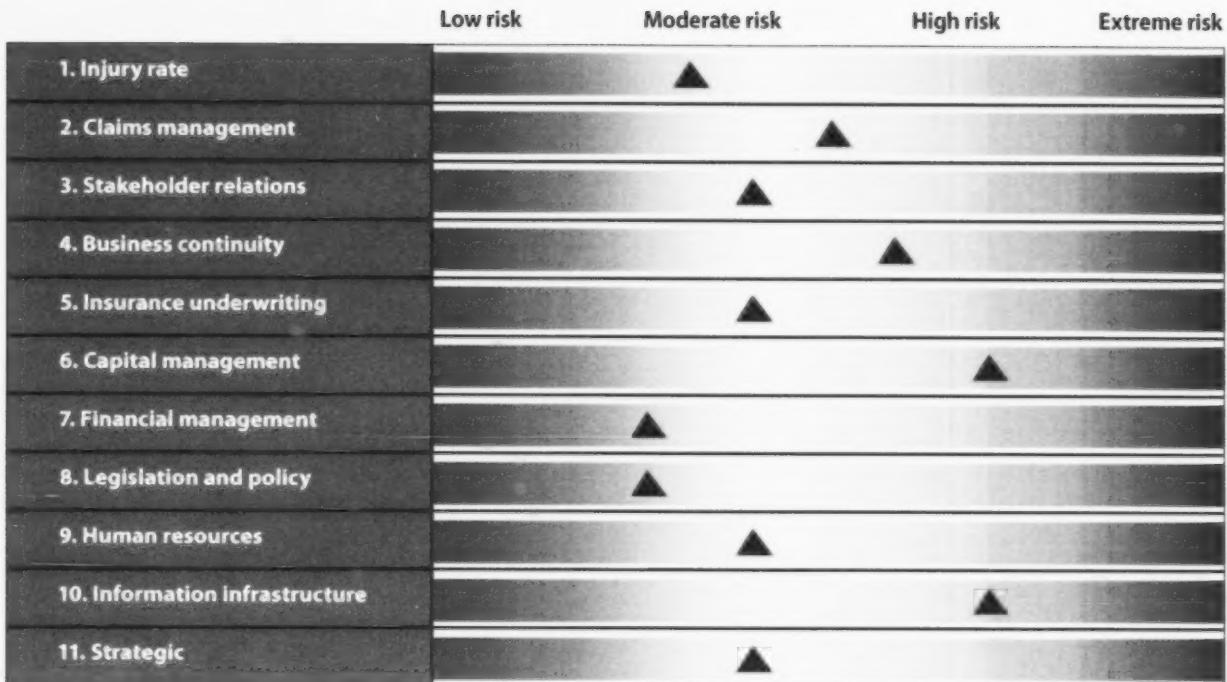
Comparison to plan		2010 actual	2010 plan	Variance
	(\$ millions)			
Premium income		1,060	1,027	33
Investment income		554	297	257
Total revenues		1,614	1,324	290
Claim costs		1,293	1,415	122
Operating costs				
Administration expenses		397	397	—
Injury-reduction initiatives		26	20	(6)
Less: Claim administration costs		(238)	(231)	7
Total expenses		1,478	1,601	123
Operating surplus		136	(277)	413
Other comprehensive income		536	82	454
Total comprehensive income		672	(195)	867
Funding level (AWCBC metric)		130%	122%	8%
Percentage of target funding level achieved		96%	90%	6%

Risks

Risk management

Like any organization, WorkSafeBC is susceptible to risks that, if unmitigated, could lead to significant financial consequences. As such, management has established financial controls, policies, and processes to assist in containing risks. An internal audit department, which reports regularly to the Audit Committee of the Board of Directors, carries out operational and control audits to test for compliance. In addition, the Audit Committee receives semi-annual reporting on key risk factors, including an assessment of the potential impact and likelihood of occurrence of the identified risks, and an assessment of the effectiveness of risk management procedures. This is referred to as the Enterprise Risk Management plan.

The following table shows management's assessment (arrow) of risks in 2010 for 11 risk categories, from low (green) to extreme (red).



The remainder of this section discusses the key financial risks. (See Appendix C, page 100, for a discussion of some of the other risk factors in WorkSafeBC's operating environment.)

Risk capital

To be a financially sound insurer, WorkSafeBC must aspire to meet risk capital tests similar to those imposed on private insurers by regulatory authorities. In Canada, the OSFI regulates banks and insurance companies to ensure they have sufficient capital to back their promises and obligations to customers and policyholders. In 2007, WorkSafeBC's Board of Directors approved the adoption of a capital adequacy policy setting out a target asset level using a methodology derived from OSFI guidelines. While WorkSafeBC is not subject to OSFI regulatory oversight, its decision to voluntarily adopt a capital coverage target is in keeping with its strategic objective of a financially sustainable system. WorkSafeBC's target asset level is discussed in key objective/performance indicator #8, page 40.

Economic risks

In 2011, should the economic recovery stall, WorkSafeBC could see lower premium income and higher claim costs. A change in B.C.'s employment base is a key determinant of the premium income and, indirectly, claim costs. In 2010, we have seen premium income increase slightly, while short-term duration has continued to increase for the fifth consecutive year. The

after-effects of the recession continue to impact duration, and likely will continue to do so into 2011.

In 2010, the injury rate did decrease, but we have seen an uptick during the last quarter. Going into 2011 we anticipate the injury rate will actually move higher as the B.C. economy recovers. While inflation settled at 2.4 percent for 2010, we believe it has stabilized and that there will be little real movement in that rate through 2011. At some point inflation is expected to increase, however most predictions put this well into 2012, or further; indeed, some economists are projecting this will occur as late as 2015.

Benefit costs risks

Benefit costs, especially those related to high-cost injuries that lead to long-term disability, are susceptible to many variables. These include employers' return-to-work practices, medical intervention, WorkSafeBC's effectiveness in managing claims, and the results of appellate decisions. In the past, the appellate result variable has been the most unpredictable and potentially costly risk factor. At the end of 2010, the number of appeals pending resolution at the Workers' Compensation Appeal Tribunal totalled 2,710. By comparison, past year-end numbers were: 3,232 in 2009; 2,958 in 2008; 3,616 in 2007; and 4,013 in 2006. This reduction has allowed WorkSafeBC to factor the results into its actuarial estimates of liability, and thus reduce the unknown risk factor to more predictable levels. While there

are some backlogs in adjudication of long-term disability awards, other backlogs that were accumulating due to the implementation of the claims management system in 2009 have all but disappeared. With no backlogs in the short-term disability arena beyond normal levels, it is anticipated that long-term disability backlogs will decrease by the end of 2011.

Potential changes to legislated benefits and expanded coverage of diseases and conditions, such as chronic pain and work-related chronic stress, pose additional risks to benefit costs. This is especially true if those changes are applied retroactively. If introduced in B.C., these changes could carry substantial financial liability risk. Also, the province faces the risk of widespread disease, such as pandemic influenza, which could affect large portions of the working population. The result of such an outbreak could be significantly increased benefit costs.

While these types of risks are not controllable, WorkSafeBC has contemplated various mitigation strategies to decrease the effect of such an occurrence. In addition, a reserve for latent occupational disease is in place to offset potential financial impacts to the Accident Fund. In 2006, the organization also established a General Reserve for special circumstances that have significant cost implications, such as potential legislated benefit changes and court decisions. Additionally, the Capital Adequacy Reserve could be used to offset any sudden liability increases.

Investment performance risks

WorkSafeBC's investment policy shapes a prudent portfolio that has macro-target allocations of 33 percent fixed-income, 39 percent equity, and 28 percent inflation-sensitive assets. If circumstances warrant it, there is room for discretionary movement within asset classes.

The Board of Directors is responsible for setting WorkSafeBC's investment policy. It assigns the oversight and asset allocation decisions (within approved ranges) to an Investment Committee which includes three independent external investment experts, WorkSafeBC's president and chief executive officer, chief financial officer, chair of the Audit Committee, and one other board appointed member. The policy prescribes that appropriate safeguards and controls must be in place to mitigate risks.

The Board of Directors and WorkSafeBC's Investment Committee have also established processes and reporting requirements to ensure the organization's investment portfolio manager, bclMC, has adequate internal controls and risk-

mitigation procedures in place. In addition, an external public accounting firm audits bclMC's internal controls annually, and their audit reports³² are made available to WorkSafeBC. To date, no serious audit concerns have been raised by bclMC's external auditor regarding bclMC's internal controls or the reliability of the pooled investment funds information.

Some investment risks cannot be directly controlled, such as significant market swings, geopolitical events, and interest rate changes driven by international monetary, fiscal, and trade policies. In 2010, the world continued to witness volatility in the marketplace. The fact that WorkSafeBC has increased its surplus position following the 2008-2009 recession shows that it is well-positioned to handle substantial investment risk.

Management continues to look for ways to mitigate overall investment risk. WorkSafeBC has adopted the Value at Risk (VaR) measure for the portfolio of investment. The Investment Committee regularly uses this additional tool to monitor, analyze, and evaluate the inherent risk in the portfolio. VaR is a statistical technique that is used to estimate the potential loss in value of an investment as a result of movements in market rates and prices over a specified time period and for a specified confidence level. WorkSafeBC's Board of Directors has approved a portfolio asset mix policy and the related level of investment risk. On a quarterly basis, WorkSafeBC monitors the VaR of the actual portfolio relative to the policy portfolio to ensure that the level of risk is acceptable.

Additional disclosure on WorkSafeBC's investment risk management is provided in Note 4 of the consolidated financial statements (see page 78).

Future outlook

In 2010, WorkSafeBC outperformed its investment targets or expectations because of the renewed confidence in the markets towards year end. Given that B.C.'s economic recovery could falter or take longer than expected, management's assumptions for the forecast include:

- Annual increase in Consumer Price Index (CPI) set at 2.5 percent — The year ended with a CPI increase of 2.4 percent. In the short term, we do not anticipate the annual increase in CPI varying much from this. At some point we do expect the CPI increase to move up, but that is regarded as outside our three-year plan horizon.
- Minor growth in the size of B.C.'s workforce.

- Investment returns at the long-term average expected rate of return (CPI increase + 3 percent) as of 2012, with a slightly lower return expected in 2011.
- Average unfinalled claim costs to remain flat at the 2008 level (2009 and 2010 unfinalled claim costs were lower than the norm).

While projections do not necessarily predict the future, they help WorkSafeBC's management team make qualitative assessments of likely results. As part of this forecasting process, management continually monitors leading indicators and performance measures related to inflation, the provincial injury rate, investment returns, and claim costs.

As management looks forward, it has identified the following issues as those which will shape the next three years:

- **Improvements to WorkSafeBC's focus on customer service beginning to take hold.** With the claims management system implementation behind us, and a wealth of information at our fingertips, we expect claim administration management and staff to continue their focus on our customers — the workers and employers of B.C.
- **The economic recovery in B.C.** As the economy recovers, the challenge will be to ensure the rebuilding of employer payrolls does not generate additional claims, so the injury rate (especially the serious injury rate) declines further. In late 2010 we began seeing signs of an increased number of injuries in the province, and expect a lower injury rate to be a serious short-term challenge. Since British Columbia benefits from primary resource extraction and development, the economy will depend on finding markets for these types of assets. To that end, B.C.'s recovery will likely be tied to recovery in other areas of the world, especially China and the U.S.

• **The world economy reshaping itself.** From a Canadian perspective, the previous economic drivers of the world economy have been (in no particular order): the U.S. consumer; China, as a consumer state; the price of oil; the Canadian currency exchange rate with the U.S.; and inflation. Heading into 2011, and for the next while, this is not expected to change. The U.S. and European governments, and their deficits and overall debt, will remain a focus of discussion. With the U.S. mid-term elections behind us, the focus will likely shift to potential inflation, the continuing slump in the U.S. housing market, and the impact of a polarized American political system with a Republican-controlled congress battling a White House governed by Democratic leadership. For Canada, this will likely translate into a discussion about oil, inflation, and currency.

• **Economic stability in Europe.** The big question will be whether Europe can sustain its economic stability and partnership. The world needs Europe to succeed. Time will tell if Portugal, and possibly Spain, dominates the news over the next 12 months due to economic challenges. If they do, we could see a real threat to the Euro as a currency, and a race to the bottom as the U.S. and Europe try to devalue their currencies for job creation and export benefit. Should that circumstance occur, it is unlikely that Canada will be able to remain on the sidelines and will invariably be drawn in, with the U.S. Even China's dominance, and Asia's general recovery, will not be able to stave off the impact of this U.S. effect on Canada and WorkSafeBC's investments.

It should be noted that WorkSafeBC's forecasts are built on slow steady growth with a leveling-off of inflation. Being conservative, these forecasts are probably on the pessimistic side — not a bad place to be in what is still a relatively volatile economic environment.

Accounting standards

In February 2008, the Canadian Accounting Standards Board confirmed that full implementation of International Financial Reporting Standards (IFRS) will be required for most publicly accountable enterprises for fiscal years beginning on or after January 1, 2011. WorkSafeBC will adopt IFRS in 2011 to replace the current Canadian generally accepted accounting principles (GAAP). WorkSafeBC's accounting systems have been converted for IFRS compliance and we are ready to implement revised accounting policies as of January 1, 2011.

The transition to IFRS is a significant undertaking for WorkSafeBC. The IFRS project began in 2008 and is supported by a formal governance structure. The table on the next page provides a summary of the progress assessment of WorkSafeBC's IFRS transition plan.

A summary of WorkSafeBC's IFRS changeover plan

Key activity	Milestones / deadlines	Status at December 31, 2010
Financial statement preparation	<ul style="list-style-type: none"> • Identification of differences in Canadian GAAP/IFRS accounting policies and choices • Selection of accounting policies under IFRS • Selection of IFRS 1 accounting policy choices • Quantification of IFRS 1 elections • Preparation of financial statement model, including disclosure format • Preparation of 2010 comparative financial statements 	<ul style="list-style-type: none"> • Ready for conversion on January 1, 2011 • Quantification of IFRS 1 elections by end of 2009 • Discussion papers prepared for all financial statement items, including identification and recommendation of preferred significant accounting policy choices, and financial and operational impacts • Participation in IFRS working groups for information sharing — Canadian workers' compensation organizations, and B.C. public sector entities • Quantified IFRS 1 and post-transition policy choices • IFRS financial statement and note disclosure modeling options completed
Infrastructure: IFRS expertise	<p>IFRS training and development at all levels:</p> <ul style="list-style-type: none"> • Corporate accounting managers and staff • Operating divisions' financial service managers and staff • Senior executive and Board level, including Audit Committee 	<ul style="list-style-type: none"> • Ready for transition on January 1, 2010 • In-depth IFRS training for corporate accounting managers and staff completed • IFRS and accounting policy presentations completed for finance management and Audit Committee • Communication and training activities completed for operational staff
Infrastructure: Information technology	<ul style="list-style-type: none"> • Systematic processing changes • Program upgrades/changes • One-off calculations (IFRS 1) • Disclosure data gathering • Capital asset system • Budget/plan/forecast monitoring process 	<ul style="list-style-type: none"> • Parallel processing of 2010 general ledgers and planning/monitoring processes by mid-2010 • Scoping study and resource assessment completed • Development and implementation of IFRS-compliant capital asset system completed • Completed assessment and implemented modifications required for IFRS general ledgers and planning/monitoring processes
Operational assessment	<ul style="list-style-type: none"> • Rate-setting • Capital adequacy • Key objective/performance indicators • Business planning and budgeting • Business case procedures and guidelines • Communication with stakeholders 	<ul style="list-style-type: none"> • Impact study and revised policy/measures completed by fourth quarter, 2009 • Business planning on IFRS basis for 2011 • Completed identification and assessment of all significant operational impacts and key objectives/ performance indicators • Revision of capitalization policy and business case procedures and guidelines completed • Budget for 2011 and service plan 2011–2013 completed on IFRS basis • Analyzed impact on capital adequacy and rate setting process under the various policy choices

Impact of IFRS on financial statements

The aspects of IFRS that will have the greatest impact for WorkSafeBC are those that deal with insurance contracts (affecting claim costs and benefit liabilities), financial instruments, capital assets, employee pensions, and other post-employment employee benefits.

Claim costs and benefit liabilities — There is no specific standard for insurance contracts under Canadian GAAP, and the International Accounting Standards Board (IASB) is still developing a comprehensive accounting standard for insurance contracts (IFRS 4). To date, the IASB has issued Phase 1 of IFRS 4, which is expected to have a relatively minor quantitative impact on WorkSafeBC's financial statements; however, note disclosures will be significantly increased.

The IASB issued an exposure draft of Phase 2 of IFRS 4 during 2010 and received extensive feedback challenging some of the new requirements. At this time, we are unable to determine if the exposure draft in its current form will be adopted as the new insurance contracts standard or the subsequent quantitative impact on WorkSafeBC's financial statements.

Investments — WorkSafeBC has elected to adopt the new international accounting standard for financial instruments (IFRS 9) early, which will significantly alter the way we report investment income and measure some portfolio investments. Under Canadian GAAP, unrealized gains or losses on portfolio investments are reported in other comprehensive income or loss, which is below the operating results line. Under IFRS 9, these amounts will be reported as part of investment income within operating results. The other significant change relates to private placements and foreign real estate investments, which are currently carried at cost under Canadian GAAP, and will be required to be carried at fair values under IFRS 9.

Capital assets — Under Canadian GAAP some administration and support costs during development and some post-implementation expenditures relating to capital assets formed part of the capital cost of the related assets. The international accounting standards for property, plant, and equipment (IAS 16) and intangible assets (IAS 38) are more stringent regarding the ability to capitalize these types of costs; as a result, such costs will now be recognized within the statement of operations as current-year expenses.

Also, under Canadian GAAP, WorkSafeBC carries land assets on the balance sheet at historical cost. WorkSafeBC intends to utilize the one-time election, permitted upon transition to IFRS, to change the carrying value of land holdings to fair value at January 1, 2010 (retroactive adjustment at the date of transition). This will result in a significant increase to the carrying value of land.

Employee future benefits — WorkSafeBC's accounting policy, under Canadian GAAP, is to amortize net actuarial gains or losses only when they exceed the 10 percent corridor, as described in Note 15 of the consolidated financial statements (see page 89). Unamortized losses are currently carried on the balance sheet and have not been recognized in the operating results. WorkSafeBC intends to elect, upon transition to IFRS, to recognize in the unappropriated balance, the cumulative net unamortized actuarial losses on its employee pension and other retirement benefit plans at the date of transition. After transition, WorkSafeBC will again apply the corridor approach to actuarial gains and losses, as permitted under the international accounting standard for employee benefits (IAS 19).

IAS 19 is currently undergoing a significant revision by the IASB. We are unable to determine if the revisions will be adopted in their current form, or the subsequent quantitative impact on WorkSafeBC's financial statements.

Future changes — The discussion provided above is based on the standards that are expected to be in effect in 2011. International financial reporting standards are evolving and some of the future changes could significantly impact our financial reporting. The projects currently underway which we are monitoring closely are insurance contracts (IFRS 4 Phase 2), financial statement presentation (replacement of IAS 1 and IAS 7), employee future benefits (IAS 19), and leases (IAS 17).

Financial Review

Responsibility for financial reporting

WorkSafeBC's management is responsible for preparing the accompanying consolidated financial statements in accordance with Canadian generally accepted accounting principles. These consolidated financial statements include some amounts based on management's best estimates and judgments.

Management is responsible for the integrity and fairness of the consolidated financial statements and has established systems of internal control to provide reasonable assurance that relevant and reliable financial information is produced and that assets are safeguarded from loss.

The Board of Directors is responsible for overseeing management in the performance of its financial reporting responsibilities and has approved the consolidated financial statements and other financial information included in this annual report.

The Audit Committee assists the Board of Directors in discharging its responsibilities. This committee reviews and recommends approval of the consolidated financial statements and meets periodically with management, internal and external actuaries, and internal and external auditors concerning internal controls and all other matters relating to financial reporting.

WorkSafeBC's actuarial staff performs an annual actuarial valuation of the claim benefit liabilities included in the consolidated financial statements of WorkSafeBC.

Eckler Ltd. has been appointed as the independent peer review actuary to WorkSafeBC. Its role is to complete an independent review of the annual actuarial valuation of the claim benefit liabilities included in WorkSafeBC's consolidated financial statements and to report thereon in accordance with accepted actuarial practice.

The Internal Audit department performs audits to test the adequacy and consistency of WorkSafeBC's internal controls, practices, and procedures.

WorkSafeBC's external auditor is the Auditor General of British Columbia. The Auditor General has full and unrestricted access to the Audit Committee. The Auditor General has performed an independent audit of the consolidated financial statements of WorkSafeBC, in accordance with Canadian generally accepted auditing standards. The Auditor General's report outlines the scope of this independent audit and his opinion on the consolidated financial statements of WorkSafeBC.



David Anderson, MBA, FCHRP, C.Dir
President and Chief Executive Officer
WorkSafeBC



Steve Barnett, CA
Chief Financial Officer
WorkSafeBC

March 14, 2011



INDEPENDENT AUDITOR'S REPORT

*To the Board of Directors of the Workers' Compensation Board of British Columbia, and
To the Minister of Labour, Citizens' Services and Open Government*

Report on the Consolidated Financial Statements

I have audited the accompanying consolidated financial statements of the Workers' Compensation Board of British Columbia ("the Entity"), which comprise the consolidated balance sheet as at December 31, 2010, and the consolidated statement of operations, the consolidated statement of changes in unappropriated balance and accumulated other comprehensive income, and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these consolidated financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Workers' Compensation Board of British Columbia as at December 31, 2010, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

John Doyle, MBA, CA
Auditor General

Victoria, British Columbia
March 17, 2011

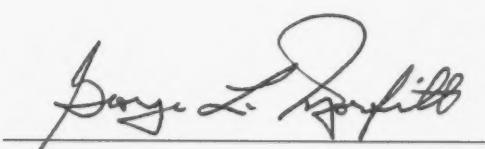
**Consolidated balance sheet
as at December 31 (\$ thousands)**

Exhibit 1

	2010	2009
Assets		
Receivables (Note 3)	494,052	491,698
Portfolio investments (Note 4)	11,998,240	11,314,406
Capital assets (Note 6)	154,873	163,822
Total assets	12,647,165	11,969,926
Liabilities and funded position		
Payables and accruals (Note 7)	303,964	264,396
Benefit liabilities (Note 8)	9,389,369	9,424,103
Total liabilities	9,693,333	9,688,499
Reserves (Note 10)	1,859,000	1,409,000
Unappropriated balance (Exhibit 3)	380,215	693,890
Accumulated other comprehensive income (Exhibit 3).....	714,617	178,537
Total funded position	2,953,832	2,281,427
	12,647,165	11,969,926

The accompanying notes are an integral part of the consolidated financial statements.

Approved on behalf of WorkSafeBC's Board of Directors:



George Morfitt, FCA
Chair
WorkSafeBC



Robert Smith, MBA
Chair of Audit Committee
WorkSafeBC

Consolidated statement of operations for the years ended December 31 (\$ thousands)

Exhibit 2

	2010	2009
Revenues		
Premiums (Note 11)		
Rateable employers.....	1,029,988	958,010
Self-insured employers (Note 12).....	4,655	47,291
Levy for injury-reduction initiatives.....	25,576	19,199
	1,060,219	1,024,500
Investments (Note 4)		
Earned income	297,357	331,330
Realized gains (losses) on investments.....	248,396	(188,110)
Unrealized gains on held-for-trading investments	7,891	4,455
	553,644	147,675
Total revenues.....	1,613,863	1,172,175
Expenses		
Claim costs (Note 9)		
Benefit payments.....	1,327,262	1,245,750
Changes in actuarial valuation of benefit liabilities	(34,734)	76,178
	1,292,528	1,321,928
Operating costs (Note 13)		
Administration costs.....	397,146	386,159
Funding for injury-reduction initiatives.....	25,576	19,199
	422,722	405,358
<i>Less:</i> Claim administration costs.....	(237,712)	(237,523)
	185,010	167,835
Total expenses.....	1,477,538	1,489,763
Surplus (deficit) from operations.....	136,325	(317,588)
Other comprehensive income		
Unrealized gains on available-for-sale investments (Note 4).....	536,080	1,111,106
Total comprehensive income.....	672,405	793,518

The accompanying notes are an integral part of the consolidated financial statements.

**Consolidated statement of changes in unappropriated balance
and accumulated other comprehensive income
for the years ended December 31 (\$ thousands)**

Exhibit 3

	2010	2009
Unappropriated balance — January 1	693,890	1,011,478
Surplus (deficit) from operations (Exhibit 2)	136,325	(317,588)
Appropriation to Capital Adequacy Reserve	(400,000)	—
Appropriation to Injury Reduction and Return-to-Work Initiatives Reserve	(50,000)	—
Unappropriated balance — December 31	380,215	693,890
Accumulated other comprehensive income (loss) — January 1	178,537	(932,569)
Other comprehensive income (Exhibit 2)	536,080	1,111,106
Accumulated other comprehensive income — December 31	714,617	178,537

The accompanying notes are an integral part of the consolidated financial statements.

**Consolidated statement of cash flows
for the years ended December 31 (\$ thousands)**

Exhibit 4

	2010	2009
Cash obtained from (used for) operating activities:		
Cash received from:		
Employers	1,044,430	1,057,941
Dividends and interest.....	294,811	334,068
	<hr/>	<hr/>
Cash paid to:		
Claimants or third parties on behalf of claimants	(1,089,548)	(1,008,226)
Employees and vendors for goods and services.....	(346,135)	(370,001)
	<hr/>	<hr/>
Cash flow from (used for) operating activities	(96,442)	13,782
Cash obtained from (used for) investing activities:		
Net sale of portfolio investments.....	1,580	113,122
Net purchase of capital assets.....	(14,630)	(24,531)
Cash flow from (used for) investing activities	(13,050)	88,591
Net increase (decrease) in cash and cash equivalents.....	(109,492)	102,373
Cash and cash equivalents — January 1	(17,627)	(120,000)
Cash and cash equivalents — December 31	(127,119)	(17,627)

The accompanying notes are an integral part of the consolidated financial statements.

Notes to the consolidated financial statements for the year ended December 31, 2010

NOTE 1 — NATURE OF OPERATIONS

WorkSafeBC administers the *Workers Compensation Act* (the Act), enacted by the British Columbia Legislature in 1917. The Act was amended by the *Workers Compensation Amendment Act* (Bill 49 and Bill 63), and by the *Skills Development and Labour Statutes Amendment Act* (Bill 37).

The primary functions of WorkSafeBC under the Act are promotion of occupational health and safety; compensation for occupational injury, death, or disease; rehabilitation of injured workers; collection of the funds necessary for its operations from employers covered under the Act; and management of portfolio investments in compliance with the *Financial Administration Act*.

Premium rates are established at a level to provide for current and future costs of claims and operations arising from current claims, subject to a capping policy to moderate excessive changes in rates from year to year. WorkSafeBC may also levy a special premium when it is considered appropriate.

WorkSafeBC does not receive government funding or other assistance. It is, however, required by the Act to maintain an Accident Fund sufficient to meet all present and future costs (liabilities) for injuries arising in the current and previous years. The financial strategy of WorkSafeBC is to accumulate adequate capital reserves to mitigate against the risks in its assets and liabilities. Any balances in the unappropriated balance are to be amortized on a five-year averaging basis through adjustments to future premium rates. While Canadian generally accepted accounting principles are applied for the purpose of disclosing its consolidated financial statements, WorkSafeBC applies a smoothed investment accounting method for its funding policy (see Financial Context on page 12). This funding policy helps WorkSafeBC avoid premium rate volatility caused by short-term financial market fluctuations.

NOTE 2 — SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of WorkSafeBC have been prepared in accordance with Canadian generally accepted accounting principles. The following significant accounting policies have been adopted by the organization:

(A) BASIS OF CONSOLIDATION

The consolidated financial statements include the assets, liabilities, revenues, and expenses of all variable interest entities (VIEs) for which WorkSafeBC is determined to be the primary beneficiary (see Note 5). Inter-company balances and transactions have been eliminated.

(B) PORTFOLIO INVESTMENTS

WorkSafeBC invests in long- and short-duration fixed-term investments, publicly traded equities, real estate holdings, private placement investments, and derivative financial instruments, on a segregated basis (held directly), and through pooled fund products managed by the British Columbia Investment Management Corporation (bcIMC), a corporation established under the *Public Sector Pension Plans Act*.

Fixed-term investments having terms greater than one year consist primarily of bonds of the Government of Canada, provincial governments, Crown corporations, and high-quality corporations, as well as real-return bonds and fixed-term mortgages. Fixed-term investments having terms less than or equal to one year consist primarily of treasury bills and other money market instruments.

WorkSafeBC's fixed-term, equity, and real estate investments are designated as available-for-sale investments. They are reported at fair value, except for investments in private placements and foreign real estate, which do not have quoted market prices in the active market and are therefore reported at cost. The amounts by which fair values for these investments differ from costs represent unrealized gains or losses and are recognized in other comprehensive income or loss. When an investment is sold, the cumulative unrealized gain or loss is reclassified as a realized gain or loss in investment income on the statement of operations.

WorkSafeBC also invests directly in currency hedging forward contracts. These derivative financial instruments are stated at fair value, and are classified as held-for-trading, with changes in fair value reflected in investment income as unrealized gains or losses.

All realized gains or losses from the sale of pooled fund units and segregated investments are recognized in investment income in the year of disposition. Realized gains or losses also include net annual realized trading gains or losses allocated to WorkSafeBC from the various pooled fund products included

NOTE 2 — CONTINUED

in WorkSafeBC's investment portfolio. Investment income also includes interest and dividends earned, and it is reduced by investment expenses incurred during the year.

WorkSafeBC utilizes trade date accounting for all purchases and sales of financial instruments in its investment portfolio. Transactions are recorded on the date an agreement is entered (the trade date), and not on the date the transaction is finalized (the settlement date). If the transaction involves interest, the interest is recorded on the settlement date.

The fair value of investments is market value. The market value of publicly traded investments and forward foreign exchange contracts is based on quoted prices, while that of domestic real estate investments is based on independent appraisals.

Investments denominated in foreign currency are translated into Canadian dollars at the exchange rate in effect at the balance sheet date. The foreign currency exchange gains or losses for these investments are recorded in the same manner as other investment gains or losses for these investments. Revenues and expenses are translated at the exchange rates in effect on the transaction date.

(C) CAPITAL ASSETS

Capital assets are reported at cost and amortized on a straight-line basis over their estimated useful lives. The estimated useful lives of assets are as follows:

Buildings.....	.20 to 40 years
Equipment.....	3 to 5 years
Furniture.....	10 years
Vehicles.....	7 years
Operating systems.....	5 to 10 years
Computer software.....	3 years

Operating systems represent the direct costs incurred in developing new systems that are deferred and amortized on a straight-line basis from the date the asset is available for use.

(D) BENEFIT LIABILITIES

WorkSafeBC determines its liabilities at the end of each year for all injuries that have occurred to that time.

WorkSafeBC appoints an independent consulting actuary who examines the benefit liabilities and the underlying assumptions and methods, and issues a report thereon to WorkSafeBC. The opinion of the consulting actuary is appended to these consolidated financial statements.

The benefit liabilities represent the actuarial present value of all future benefit payments expected to be made for claims that occurred in the current fiscal year or in any prior year. The benefit liabilities include provision for all benefits provided by applicable legislation, policies, and/or administrative practices in respect of existing claims.

Benefit liabilities fall into three categories:

- The capitalized value of future monthly payments for pension awards already made
- A provision for future payments on claims that have not been finalized to date
- The capitalized value of the estimated future cost of administering existing claims

These benefits are calculated using a real discount rate of 3.0 percent — that is, the assumption is that investment income will be earned at an annual rate 3.0 percent higher than the annual rate of general inflation in the long term. This real discount rate gives rise to the net discount rates that are used in calculating the various components of the benefit liabilities. These net discount rates are the differences between the assumed investment rate (long-term assumption of 5.5 percent return) and the assumed growth rates of the specific factors driving benefit increases. These net discount rates are as follows:

Factor	Net discount rate
Health care inflation	0.5%
Wage growth	2.0%
Claim administration inflation	2.5%
Benefits indexed to inflation minus 1%	4.0%

As in prior years, benefit liabilities make no provision for future claims related to long-latency occupational diseases because the determination of such claims cannot be reasonably estimated. However, a \$200-million reserve was established in prior years to mitigate future claims relating to such diseases.

(E) RESERVES

Special reserves

The \$40-million Accident Fund special reserves established pursuant to Section 39 of the *Workers Compensation Act* are:

- Contingent Reserve [Section 39(1)(b)], which provides a reserve in aid of industries or classes that may become depleted or extinguished

NOTE 2 — CONTINUED

- Disaster Reserve [Section 39(1)(d)], which provides a reserve to meet the loss arising from a disaster or other circumstances that WorkSafeBC considers to be an unfair burden to the employers in a particular class
- Enhancement Reserve [Section 39(1)(e)], which provides a reserve for payment of that portion of a disability enhanced by reason of a pre-existing disease, condition, or disability

Claims deemed by WorkSafeBC to be covered by these reserves are charged to current operations, but are prorated to the various employer classes rather than being charged directly to any specific class.

Latent Occupational Disease Reserve

WorkSafeBC established a \$200-million Latent Occupational Disease Reserve relating to occupational diseases that may have occurred in the current year or in prior years, but will not be reported or recognized for a number of years due to the extended latency periods of such diseases.

Earthquake Disaster Reserve

A \$20-million Earthquake Disaster Reserve was established to provide for claims from workers who may be injured in the course of their employment during an earthquake disaster.

Research Reserve

The \$30-million Accident Fund Research Reserve, established pursuant to Section 111 of the *Workers Compensation Act*, is a reserve for the purpose of funding initiatives in scientific study, as well as disseminating and applying ways to reduce occupational injury, disease, impairment, or disability arising from employment, in support of WorkSafeBC's strategic plan. The \$30-million reserve will remain intact, while investment income earned on the reserve, calculated using WorkSafeBC's smoothed accounting rate of return, will be directed to funding research. The management and fiduciary responsibility over the reserve is indivisible from the Accident Fund and may not be transferred to any other body or organization.

Injury Reduction and Return-to-Work Initiatives Reserve

In 2010, WorkSafeBC established a \$50-million reserve from its unappropriated balance to provide funding for piloting and implementing initiatives in workplace injury reduction and disability and injury management. The \$50-million reserve will remain intact, while investment income earned on the reserve, calculated using WorkSafeBC's smoothed accounting rate of return, will be directed to funding projects in this area.

General Reserve

In 2006, WorkSafeBC established a \$250-million General Reserve from its unappropriated balance to provide for special circumstances, including legislative changes that may impact significantly on the organization's consolidated financial statements and the assessment rates levied in a particular year. The target level of the reserve will be evaluated and, if necessary, adjusted each year based on emerging circumstances, including pending legislation. This reserve will be drawn down when circumstances in the year would otherwise significantly impact employer assessment rates.

Capital Adequacy Reserve

WorkSafeBC established a Capital Adequacy Reserve in 2007 to ensure it maintains an asset level for the Accident Fund that is adequate to mitigate against the risks in its assets and liabilities. Funds will be appropriated from the unappropriated balance into the Capital Adequacy Reserve, based on an internal policy, until the reserve is built up to the target Capital Adequacy Reserve level determined using a methodology derived from the federal Office of the Superintendent of Financial Institutions (OSFI) capital reserve guidelines. Note that although WorkSafeBC is not subject to regulatory oversight by OSFI, it seeks to provide security for worker benefits comparable to that required of private insurers regulated by OSFI. In 2010, WorkSafeBC added \$400 million to the Capital Adequacy Reserve.

	2010	2009
Capital Adequacy Reserve	1,269,000	869,000
Target Capital Adequacy Reserve level.....	2,857,000	2,732,000

The target Capital Adequacy Reserve level is affected by the value of assets and liabilities to which risk factors (derived from OSFI guidelines) are applied.

(F) PREMIUM INCOME AND ACCRUED PREMIUMS RECEIVABLE

As a significant portion of premium income for the year is not received until after year-end, the amount shown is an estimate based on statistical data. The difference between the estimate and the actual income received is credited or charged to income in the following year. Historically, the difference has not been material.

(G) SELF-INSURED EMPLOYERS

Certain employers are self-insured. These employers are billed on a monthly basis for payments of short-term disability, health care, vocational rehabilitation, and for the capitalized values of long-term disability and survivor benefits, together with their proportionate share of WorkSafeBC administration costs.

NOTE 2 — CONTINUED

The receivable in Note 3 represents a provision for expected future costs of current claims for self-insured classes, for which the final settlement has not been determined; it also includes any unpaid current billings.

WorkSafeBC acts as the agent of the Government of Canada for the payment of compensation to federal employees in British Columbia. Amounts paid are recovered from the Government of Canada on a monthly basis.

(H) USE OF ACCOUNTING ESTIMATES

In accordance with Canadian generally accepted accounting principles, WorkSafeBC's consolidated financial statements include management's best estimates of the reported amounts of assets and liabilities as at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting periods presented. Actual results may differ from management's estimates by significant

amounts. Claim benefit liabilities and accrued premiums are the most significant items that reflect estimates in these consolidated financial statements.

(I) FUTURE ACCOUNTING AND REPORTING CHANGES

International Financial Reporting Standards (IFRS)

Full implementation of IFRS will be required for most publicly accountable enterprises beginning in 2011. IFRS will become Canadian generally accepted accounting principles for these publicly accountable enterprises. WorkSafeBC will begin reporting its consolidated financial statements in accordance with IFRS on January 1, 2011. Based on preliminary assessment of the standards that are in effect on January 1, 2011, it is not expected that adoption of IFRS will have a significant impact on WorkSafeBC's financial position or total comprehensive income. The most significant change will be the reclassification of unrealized gains or losses on available-for-sale portfolio investments from other comprehensive income or loss to investment revenues.

NOTE 3 — RECEIVABLES (\$ THOUSANDS)

	2010	2009
Premiums.....	24,865	22,800
Accrued premiums.....	240,566	225,238
Self-insured employers — receivable.....	135,810	169,130
Premiums receivable.....	401,241	417,168
Self-insured employers — deposits.....	(38,343)	(37,920)
Accrued benefit asset of employee pension plan (Note 15).....	115,982	99,571
Other receivables.....	15,172	12,879
	494,052	491,698

NOTE 4 — PORTFOLIO INVESTMENTS (\$ THOUSANDS)

(A) PORTFOLIO INVESTMENTS

Investments in pooled funds, at market value

	2010	2009
Money market funds.....	193,133	38,066
Bond funds.....	3,156,934	2,994,594
Real-return bond fund.....	628,529	—
Mortgage fund.....	567,188	522,133
Canadian index equity fund.....	1,132,104	1,246,913
Active Canadian equity funds.....	1,103,066	1,091,637
U.S. index equity fund.....	177,804	163,065
Active U.S. equity funds.....	744,767	587,598
International index equity fund.....	37,684	78,324
Active international equity funds.....	999,418	996,860
Global active equity fund.....	104,584	100,583
Emerging markets equity fund.....	378,961	243,749
Currency hedging funds.....	—	3,837
Domestic real estate fund.....	1,663,136	1,423,953
	10,887,308	9,491,312

NOTE 4 — CONTINUED

	2010	2009
Investments held directly, at market value		
Bank float	(127,119)	(17,627)
Real-return bonds.....	5,387	702,200
Currency hedging contracts.....	12,858	4,492
	<u>(108,874)</u>	<u>689,065</u>
Investments held through investment corporations, at cost (Note 5)		
Foreign real estate	191,742	177,474
Private placements.....	1,028,064	956,555
	<u>1,219,806</u>	<u>1,134,029</u>
	11,998,240	11,314,406
(B) INVESTMENT INCOME		
Interest income.....	162,431	182,864
Dividends and other earned income.....	134,926	148,466
Earned income	<u>297,357</u>	<u>331,330</u>
Realized gains (losses) on investments	248,396	(188,110)
Unrealized gains on held-for-trading investments.....	7,891	4,455
	553,644	147,675
(C) GAINS (LOSSES) ON PORTFOLIO INVESTMENTS		
Realized gains (losses) on portfolio investments		
Fixed-term pooled funds and fixed-term investments held directly	139,428	80,684
Equity and real estate pooled funds and investments held through investment corporations.....	99,493	(292,277)
Currency hedging pooled funds and contracts held directly	9,475	23,483
	248,396	(188,110)
Unrealized gains (losses) on held-for-trading investments.....		
Currency hedging pooled funds.....	(475)	(37)
Currency hedging contracts held directly	8,366	4,492
	7,891	4,455
Unrealized gains on available-for-sale investments.....		
Fixed-term pooled funds and fixed-term investments held directly	48,085	86,292
Equity and real estate pooled funds	487,995	1,024,814
	536,080	1,111,106

Portfolio investments are all designated as available-for-sale, except for currency hedging contracts, which are designated as held-for-trading. The disclosure in (A) shows the investments in pooled funds by type of fund; investments held directly are shown by type of investment. Many of the pooled funds hold cash, net receivables, and/or small amounts of other

investments outside of their primary investment focus. For the purpose of describing WorkSafeBC's exposure to investment risk, WorkSafeBC's share of the net assets held in pooled funds is shown in the following table by type of investment. It is combined with the investments held directly to show total holdings by type of investment.

NOTE 4 — CONTINUED

	2010			2009
	WorkSafeBC's share of net assets of pooled funds	Investments held directly and through investment corporations	Total	Total
Valued at market value:				
Cash and net receivables.....	187,687	(127,119)	60,568	32,448
Money market investments.....	266,585	—	266,585	144,531
Bonds.....	3,815,386	5,387	3,820,773	3,699,470
Mortgages	556,993	—	556,993	513,534
Public equities.....	4,609,414	—	4,609,414	4,446,195
Derivatives	(16)	12,858	12,842	5,136
Domestic real estate.....	1,451,259	—	1,451,259	1,339,063
	10,887,308	(108,874)	10,778,434	10,180,377
Valued at cost:				
Foreign real estate	—	191,742	191,742	177,474
Private placements.....	—	1,028,064	1,028,064	956,555
	10,887,308	1,110,932	11,998,240	11,314,406

FAIR VALUE HIERARCHY

The portfolio investments have been classified into a three-level fair value hierarchy. The levels of the fair value hierarchy are defined as follows:

- Level 1 inputs are quoted prices in active markets for identical assets or liabilities that WorkSafeBC has the ability to access. Level 1 inputs are the most persuasive evidence of fair value and are used whenever possible.
- Level 2 inputs are market-based inputs that are directly or indirectly observable but not considered Level 1 quoted prices. Level 2 inputs consist of the following: (i) quoted prices for similar assets or liabilities in active markets; (ii) quoted prices for identical assets or liabilities in non-active markets (such as, markets that have few transactions and prices are not current or price quotations vary substantially); (iii) inputs other than quoted prices that are observable (e.g., interest rates, yield curves, volatilities,

credit risks, and default rates); and (iv) inputs derived from, or corroborated by, observable market data.

- Level 3 inputs are unobservable inputs. These inputs reflect assumptions about market pricing using the best internal and external information available, and are supplied to WorkSafeBC by bclMC. The valuation approaches applied are the most suitable and appropriate for the type of investments.

The fair values of portfolio investments are adjusted to incorporate the counter-party risk of non-performance. In certain situations, WorkSafeBC uses inputs to measure the fair value of asset positions that fall into different levels of the fair value hierarchy. In these situations, WorkSafeBC will determine the level in which the fair value falls based upon the lowest level input that is significant to the determination of the fair value. The fair values of assets and liabilities measured on a recurring basis by level of input were as follows:

As at December 31, 2009

	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Cash and net receivables/payables.....	32,448	—	—	32,448
Fixed-term investments.....	—	4,296,138	61,397	4,357,535
Derivatives.....	—	5,136	—	5,136
Equities and real estate	4,436,117	10,078	1,339,063	5,785,258
Total portfolio investments at fair value.....	4,468,565	4,311,352	1,400,460	10,180,377

NOTE 4 — CONTINUED

As at December 31, 2010

	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Cash and net receivables/payables	60,568	—	—	60,568
Fixed-term investments	—	4,582,640	61,711	4,644,351
Derivatives	—	12,842	—	12,842
Equities and real estate	4,598,594	10,820	1,451,259	6,060,673
Total portfolio investments at fair value	4,659,162	4,606,302	1,512,970	10,778,434

During 2010 and 2009, there were no significant transfers of investments between Level 1 and Level 2.

Portfolio Investments measured at fair value on a recurring basis using significant unobservable inputs (Level 3):

	2010	2009
Opening balance as at January 1	1,400,460	1,522,951
Realized and unrealized gains included in investment income	29,043	2,562
Unrealized gains (losses) included in other comprehensive income	84,180	(137,814)
Purchases	40,827	122,720
Settlements	(94,791)	(153,371)
Effect of change in share of unit holdings	53,251	43,412
Closing balance as at December 31	1,512,970	1,400,460

Unrealized gains of \$642 million attributable to assets held at December 31, 2010 are included within the gains in the Level 3 equity instruments (2009 — losses \$529 million).

Level 3 investments primarily consist of investments in a real estate pooled fund, with property holdings in office, retail, residential, industrial, hospitality real estate, and other real estate enterprises. The potential impact of possible alternative assumptions on the fair value of the pool is not determinable, due to the nature of the independent appraisals for each real estate property and the use of other valuation techniques for real estate enterprises. Fair values are determined using the most appropriate appraisal method for each property and the most appropriate valuation technique for real estate enterprises. The effect of change in share of unit holdings reflects the impact on WorkSafeBC's proportionate holdings within the pool resulting from other pool participants either entering or exiting the pool.

INVESTMENT RISK MANAGEMENT

The Board of Directors of WorkSafeBC is responsible for developing policies to ensure adequate funding of the Accident Fund, and for approving investments of funds under Section 82(2)(c) of the Act. To that end, the Board of Directors has developed a risk budget specifying the acceptable amount of financial risk for investing the funds on a prudent basis to

achieve reasonable returns. To assist them in the discharge of these responsibilities, the Board of Directors has appointed an Investment Committee consisting of internal, Board-nominated, and independent external voting members. This committee manages WorkSafeBC's investment portfolio under the parameters set out by the Board of Directors' statement of investment policies and goals for the Accident Fund.

Under the direction of the Investment Committee, management and investment of the portfolio is carried out by bclMC. The Accident Fund invests in short-term money market investments, bonds (including real-return bonds), equities, mortgages, real estate, and private placements through pooled funds and investment corporations managed by bclMC. It also invests in real-return bonds and currency hedging contracts managed on a segregated basis (held directly).

CREDIT RISK MANAGEMENT

Credit risk on financial instruments arises from the possibility of a counter-party to an instrument failing to meet its obligations. Therefore, all issuers of debt instruments — including government, non-government, and other counter-parties — must have a strong credit rating to be eligible for consideration by WorkSafeBC as a direct investment. For indirect investments in pooled funds, WorkSafeBC mitigates credit risk exposure

NOTE 4 — CONTINUED

by ensuring the Accident Fund invests in pooled funds with investment policies that provide an adequate minimum credit rating, as determined by bclMC's internal credit rating process, and a well-diversified portfolio with limited exposure to any one entity, industry, or country. The credit ratings of

WorkSafeBC's fixed-income securities at December 31 are listed in the following table. Government and corporate bonds are held through pooled funds, and real-return bonds are held both directly and indirectly, through a pooled fund, by WorkSafeBC.

Credit rating	2010				2009			
	Indirect investment		Direct investment		Total	Composition	Total	Composition
	Real-return bonds	Government bonds	Corporate bonds	Real-return bonds				
AAA/AA.....	585,034	1,856,012	266,089	5,387	2,712,522	71%	2,481,871	67%
A.....	12,035	322,800	538,219	—	873,054	23%	1,023,055	28%
BBB.....	—	—	226,790	—	226,790	6%	186,980	5%
Unrated.....	—	—	8,407	—	8,407	—	7,564	—
Total, at market value	597,069	2,178,812	1,039,505	5,387	3,820,773	100%	3,699,470	100%

FOREIGN EXCHANGE RISK MANAGEMENT

WorkSafeBC has investments denominated in foreign currencies, which are exposed to currency risk. To mitigate this risk, WorkSafeBC uses currency hedging strategies, where deemed appropriate, by participating in currency hedging funds managed by bclMC, and through directly held forward contracts.

The currency exposure (before hedging) of WorkSafeBC's investments at December 31 is listed in the following table. For the currency risk exposure table, investments in foreign real estate and private placements are presented at extrapolated market value. Extrapolated values make up the prior years' audited market values adjusted for current period additions (disposals) at cost, and the application of changes in foreign currency exchange rates. For comparative purposes, investments in Canadian dollars are shown in the following table.

Currency	2010				2009			
	Public equities	Foreign real estate	Private placements	Total	Composition	Total	Composition	
Canadian dollars.....	2,215,763	38,976	185,524	2,440,263	43%	2,688,351	50%	
U.S. dollars.....	1,056,310	84,076	546,874	1,687,260	30%	1,320,289	24%	
Euros.....	193,487	9,315	109,162	311,964	6%	358,850	7%	
British pounds.....	144,082	8,678	32,045	184,805	3%	188,670	3%	
Japanese yen.....	42,280	—	699	42,979	1%	53,799	1%	
Other currencies.....	957,492	—	6,300	963,792	17%	809,048	15%	
Total, at market value	4,609,414	141,045	880,604	5,631,063	100%	5,419,007	100%	

INFLATION RISK MANAGEMENT

WorkSafeBC is exposed to fluctuations in the inflation rate because its compensation benefits are indexed annually against the increase in the annual Canadian consumer price index (CPI), as measured in October each year, minus 1 percent, up to a maximum annual rate of 4 percent and minimum of

zero. To mitigate the effect of inflation on WorkSafeBC's future liabilities, the Accident Fund holds inflation-sensitive assets, including real estate, infrastructure equity investments, and Canadian real-return bonds directly and indirectly through a pooled fund. These bonds are indexed to the annual change in the CPI and have an effective yield of 1.0 percent, excluding the CPI component, at December 31, 2010 (2009: 1.5 percent).

NOTE 4 — CONTINUED

LIQUIDITY RISK MANAGEMENT

The Accident Fund is exposed to liquidity risk because it must provide funding for WorkSafeBC operations such as benefit payments and administration expenses. WorkSafeBC always maintains a portion of its investments in pooled funds consisting of highly liquid short-term money market and fixed-income assets. As at December 31, 2010, the reconciled bank balance was negative \$127,119 (2009: negative \$17,627), of which \$115,096 represented investment transactions recorded at trade date but pending settlement at year-end (see the trade date accounting policy on page 73), and \$12,023 represented the value of cheques issued but not cashed.

INTEREST RATE RISK MANAGEMENT

Fluctuations in interest rates can affect the market value of the fixed-income portfolio and shift investor preferences among asset classes. Interest rate risk is minimized by managing the duration of the fixed-income portfolio through holdings in bonds, and through investments in fixed-income pooled funds with different terms to maturity. The table below summarizes the remaining term to maturity of WorkSafeBC's outstanding fixed-term investments.

The average yield reflects the yield to maturity, which is the discount rate that makes the present value of future cash flows of each fixed-term investment equal to its fair value. The average yield of these fixed-term investments, excluding real-return bonds, at December 31, 2010, is 3.1 percent (2009: 3.8 percent).

	2010				2009	
	Within 1 year	1 to 5 years	5 to 10 years	Over 10 years	Total	Total
Government bonds						
Market value	10,718	1,211,044	310,749	646,301	2,178,812	1,884,456
Amortized book value	10,612	1,202,210	299,980	627,469	2,140,271	1,878,538
Corporate bonds						
Market value	11,180	275,119	570,111	183,096	1,039,506	1,112,814
Amortized book value	11,017	260,691	551,917	170,342	993,967	1,076,917
Real-return bonds						
Market value	—	—	—	602,455	602,455	702,200
Amortized book value	—	—	—	569,396	569,396	646,554
Fixed-term mortgages						
Market value	64,103	305,938	177,167	9,785	556,993	513,534
Amortized book value	63,085	291,548	168,291	9,322	532,246	506,724
Total						
Market value	86,001	1,792,101	1,058,027	1,441,637	4,377,766	4,213,004
Amortized book value	84,714	1,754,449	1,020,188	1,376,529	4,235,880	4,108,733

REAL ESTATE RISK MANAGEMENT

Risk in the real estate portfolio is managed by investing across real estate types and locations. Adverse effects in any one segment of the market or geographic location are minimized through diversification, including investments in domestic and

foreign real estate. At December 31 the sector and geographic breakdown of WorkSafeBC's domestic real estate investments were as follows:

NOTE 4 — CONTINUED

Sector	2010		2009	
	Total	Composition	Total	Composition
Office	923,623	50%	834,729	50%
Residential	328,873	18%	311,004	18%
Industrial	264,908	15%	244,524	15%
Retail	190,540	10%	160,554	9%
Hospitality	133,629	7%	133,038	8%
Net operating assets and liabilities of the fund	(178,437)	—	(259,896)	—
Total, at market value	1,663,136	100%	1,423,953	100%

Province	2010		2009	
	Total	Composition	Total	Composition
Ontario	686,705	37%	617,405	37%
Alberta	643,172	35%	593,153	35%
B.C.	338,961	19%	300,796	18%
Quebec	89,419	5%	98,019	6%
Manitoba	28,072	2%	25,541	2%
Saskatchewan	25,811	1%	22,252	1%
Nova Scotia	23,301	1%	21,138	1%
New Brunswick	4,532	—	4,126	—
P.E.I.	1,098	—	966	—
Newfoundland and Labrador	502	—	453	—
Net operating assets and liabilities of the fund	(178,437)	—	(259,896)	—
Total, at market value	1,663,136	100%	1,423,953	100%

INDUSTRY AND GEOGRAPHIC RISK MANAGEMENT

To capture investment opportunities on a worldwide basis, global public equity investments are monitored and reviewed on a quarterly basis. This helps ensure appropriate diversification is achieved.

At December 31, 2010 the industry and geographic breakdown of WorkSafeBC's public equities was as follows:

Industry	Canada	U.S.	Non-North America	2010		2009	
				Total	Composition	Total	Composition
Financial services	542,659	140,683	423,392	1,106,734	24%	1,159,483	26%
Energy	582,279	86,095	129,638	798,012	17%	843,133	19%
Materials	560,133	33,685	186,861	780,679	17%	610,864	14%
Industrial	171,118	108,017	155,713	434,848	9%	397,443	9%
Information technology	64,413	179,978	158,568	402,959	9%	399,354	9%
Consumer discretionary	102,452	121,791	112,447	336,690	7%	301,575	7%
Consumer staple	58,170	80,664	138,639	277,473	6%	262,929	6%
Health care	17,529	110,457	69,279	197,265	4%	190,128	4%
Telecommunication services	78,081	19,871	67,670	165,622	4%	178,050	4%
Utilities	26,415	18,380	34,920	79,715	2%	94,481	2%
Other	9,970	—	19,447	29,417	1%	8,755	—
Total, at market value	2,213,219	899,621	1,496,574	4,609,414	100%	4,446,195	100%

NOTE 4 — CONTINUED

MARKET RISK

Market risk is the risk of loss in the value of portfolio investments that may arise due to changes in market factors, such as public equity prices, interest rates, foreign exchange rates, and real estate and private placement market valuations. These changes are subject to economic factors and other movements in global capital markets. Market risk is managed by the Investment Committee and bclMC, and through risk monitoring and diversification of the portfolio. WorkSafeBC is exposed to varying levels of market risk depending on the type of investment and conditions within various global markets.

The following tables provide estimates of the potential dollar impact on the market value of investments, when there are material changes in key risk variables, such as equity market indexes, interest rates, Canadian dollar exchange rates, and real estate and private placement valuations. Each table shows the potential impact under normal market conditions within

the 12-month period following the balance sheet date. The lower of the two risk scenarios represents the more likely consequence for the specific asset class if market forces move in an adverse direction. The higher risk scenario is less likely to occur. It should be noted that each table shows the impact of the specific downside risk, independent of the correlation to other market variables, and that these estimates do not address worst-case scenarios or potential losses arising from extreme market conditions and events.

Price risk

The following table presents the estimated effect of a material adverse change in the equity index benchmark for each geographic category of the public equity investments. The standard deviations are based on historical values for the past five years of market benchmark indices ending on December 31, 2010.

	One standard deviation	Two standard deviations
Public equities		
Percentage change in market benchmark.....	-16.7%	-33.5%
Estimated loss in market value — Canadian equity pooled funds.....	\$375,000	\$750,000
Percentage change in market benchmark.....	-13.3%	-26.6%
Estimated loss in market value — global equity pooled funds (including U.S., global, and international funds).....	\$195,000	\$385,000
Percentage change in market benchmark.....	-20.5%	-40.9%
Estimated loss in market value — emerging markets equity pooled funds.....	\$205,000	\$405,000

Interest rate risk

The following table presents the estimated effect of a material adverse change in the nominal and real interest rates on the bond and mortgage investments.

	Scenario 1	Scenario 2
Basis points change in nominal interest rate.....	+75bp	+150bp
Estimated loss in market value — bond pooled funds.....	\$155,000	\$310,000
Basis points change in nominal interest rate.....	+75bp	+150bp
Estimated loss in market value — mortgage pooled funds.....	\$10,000	\$15,000
Basis points change in real interest rate.....	+75bp	+150bp
Estimated loss in market value — real-return bonds.....	\$75,000	\$150,000

NOTE 4 — CONTINUED

Currency risk

WorkSafeBC's largest foreign currency exposures are to the U.S. dollar and the Euro. The following table presents the estimated effect of a material adverse change in the Canadian dollar/U.S. dollar and Canadian dollar/Euro exchange rates on foreign

currency based investments in public equities, real estate, and private placements. The base exchange rates for the purpose of this analysis are the exchange rates at December 31, 2010.

	Scenario 1	Scenario 2
Appreciation in the Canadian dollar (vs. U.S. dollar).....	10%	20%
Estimated loss in market value — public equities, real estate, and private placements.....	\$155,000	\$285,000
Appreciation in the Canadian dollar (vs. Euro).....	10%	20%
Estimated loss in market value — public equities, real estate, and private placements.....	\$30,000	\$50,000

Valuation risk

The following table presents the estimated effect of a material adverse change in the valuations of the investments in domestic real estate, foreign real estate, and private placements.

	Scenario 1	Scenario 2
Decline in value of assets.....	10%	20%
Estimated loss in market value — domestic real estate.....	\$165,000	\$335,000
Estimated loss in market value — foreign real estate.....	\$15,000	\$30,000
Estimated loss in market value — private placements.....	\$90,000	\$175,000

ENCUMBRANCES

As at December 31, 2010, real-return bonds valued at \$5.4 million, on a market value basis, were pledged as collateral for the issuance of a letter of credit to guarantee U.S. \$2.1 million of credit facilities for Transelec S.A., the largest electricity transmission company in Chile. It is expected that the pledge will be required as long as the credit facilities are required by Transelec S.A. The market value of the collateral was \$5.4 million at December 31, 2010 (2009: \$5.0 million).

NOTE 5 — VARIABLE INTEREST ENTITIES (\$ THOUSANDS)

WorkSafeBC invests in private placements and foreign real estate through 42 investment corporations (2009: 42). In each case, WorkSafeBC owns 100 percent of the participating,

non-voting shares of the corporation, whereas bclMC owns one non-participating voting share of the corporation. This voting share gives bclMC full authority to manage these investment corporations on behalf of WorkSafeBC.

WorkSafeBC consolidates the investment corporations, as they are variable interest entities for which WorkSafeBC is the primary beneficiary; WorkSafeBC also participates in both the profits and losses of the corporations. The assets, liabilities, revenues, and expenses of the investment corporations are included in WorkSafeBC's consolidated financial statements. The investment corporations had total net assets of \$1,219,806 as at December 31, 2010 (2009: \$1,134,029). The consolidation of these variable interest entities resulted in an increase to net assets and unappropriated balance of \$51,311 as at December 31, 2010 (2009: \$154,490).

NOTE 6 — CAPITAL ASSETS (\$ THOUSANDS)

	Cost	Accumulated amortization	Net book value	2009 Net book value
Property, plant, and equipment				
Land.....	3,760	—	3,760	3,760
Buildings.....	104,810	60,105	44,705	45,744
Furniture, equipment, and vehicles.....	38,956	24,932	14,024	14,847
Intangible assets				
Computer software.....	13,987	12,923	1,064	1,788
Operating systems.....	200,716	109,396	91,320	97,683
	362,229	207,356	154,873	163,822

Included in the buildings and operating system costs are deferred costs of \$1,419 (2009: \$18,148) for construction and

\$5,825 (2009: \$7,829) for systems development projects. These costs will not be amortized until the assets are available for use.

NOTE 7 — PAYABLES AND ACCRUALS (\$ THOUSANDS)

	2010	2009
Accrued staff benefits.....	139,129	109,133
Accrued benefit liability of retirees' medical benefit plan (Note 15).....	121,337	109,930
Vendor payables.....	25,948	18,087
Pre-2000 subclass surplus credits.....	—	6,196
Other payables.....	17,550	21,050
	303,964	264,396

Pre-2000 subclass surplus credits — Since WorkSafeBC implemented its new classification and experience rating systems in 2000, employers in former subclasses with a surplus at December 31, 1999 (total of \$431 million) have had their surpluses abated back to them through the rate-setting process (generally over a five-year period commencing in

2000). The decision limited the amount of surplus that can be distributed to the individual employers in a year to 50 percent of their annual assessment. This distribution ended in 2004, except for a few remaining employers who continued to receive credits until 2010, due to the application of a 1999 decision by the Panel of Administrators.

NOTE 8 — BENEFIT LIABILITIES (\$ THOUSANDS)

	Short-term disability	Long-term disability	Survivor benefits	Health care	Vocational rehabilitation	Claim administration	2010 Total	2009 Total
Balance — January 1	305,016	5,802,590	845,940	1,697,681	180,696	592,180	9,424,103	9,347,925
<i>Add:</i> Claim costs:								
Current year's injuries.....	246,171	217,930	27,259	265,615	54,789	204,609	1,016,373	1,104,020
Prior years' injuries	13,390	2,855	48,684	99,002	45,088	67,136	276,155	217,908
	259,561	220,785	75,943	364,617	99,877	271,745	1,292,528	1,321,928
<i>Less:</i> Claim payments made:								
Current year's injuries.....	135,781	543	939	86,028	953	98,952	323,196	312,633
Prior years' injuries	144,240	372,894	61,846	200,653	85,673	138,760	1,004,066	933,117
	280,021	373,437	62,785	286,681	86,626	237,712	1,327,262	1,245,750
Balance — December 31	284,556	5,649,938	859,098	1,775,617	193,947	626,213	9,389,369	9,424,103
Represented by:								
Provision for unfinalled claims.....	284,556	1,893,599	77,391	1,775,617	193,947	626,213	4,851,323	4,922,255
Pension awards, capitalized values	—	3,756,339	781,707	—	—	—	4,538,046	4,501,848
	284,556	5,649,938	859,098	1,775,617	193,947	626,213	9,389,369	9,424,103

WorkSafeBC applied a net discount rate of 3.0 percent per annum to calculate its liabilities. The net discount rate is the difference between the assumed future long-term investment rate and the future long-term inflation rate.

The following is a reconciliation of the claim benefit liabilities:

	Short-term disability	Long-term disability	Survivor benefits	Health care	Vocational rehabilitation	Claim administration	2010 Total	2009 Total
Balance — January 1	305,016	5,802,590	845,940	1,697,681	180,696	592,180	9,424,103	9,347,925
<i>Add:</i>								
Provision for current year's injuries.....	110,390	217,387	26,320	179,587	53,836	105,657	693,177	791,387
Accretion expense for prior years' liabilities.....	13,073	307,851	44,937	86,857	8,344	29,076	490,138	274,282
Prior years' claim costs experience higher (lower) than expected	317	(304,996)	3,747	12,145	36,744	38,060	(213,983)	(56,374)
	123,780	220,242	75,004	278,589	98,924	172,793	969,332	1,009,295
<i>Less:</i>								
Payments for prior years' injuries.....	144,240	372,894	61,846	200,653	85,673	138,760	1,004,066	933,117
Balance — December 31	284,556	5,649,938	859,098	1,775,617	193,947	626,213	9,389,369	9,424,103

Accretion expense for prior years' liabilities represents the expected interest accrued on the benefit liabilities for prior years' injuries (i.e., opening benefit liabilities).

NOTE 9 — CHANGES IN ACTUARIAL VALUATION OF BENEFIT LIABILITIES (\$ THOUSANDS)

	2010	Changes in actuarial valuation of benefit liabilities	2009	Changes in actuarial valuation of benefit liabilities		
	Claim costs	Less: Benefit payments	Claim costs	Less: Benefit payments		
Short-term disability	259,561	280,021	(20,460)	291,022	280,582	10,440
Long-term disability	220,785	373,437	(152,652)	235,283	362,078	(126,795)
Survivor benefits	75,943	62,785	13,158	50,372	63,906	(13,534)
Health care	364,617	286,681	77,936	400,199	233,668	166,531
Vocational rehabilitation	99,877	86,626	13,251	82,028	67,993	14,035
	1,020,783	1,089,550	(68,767)	1,058,904	1,008,227	50,677
Claim administration	271,745	237,712	34,033	263,024	237,523	25,501
	1,292,528	1,327,262	(34,734)	1,321,928	1,245,750	76,178

NOTE 10 — RESERVES (\$ THOUSANDS)

	2010	2009
Special reserves		
Contingent Reserve	2,500	2,500
Disaster Reserve	16,500	16,500
Enhancement Reserve	21,000	21,000
	40,000	40,000
Latent Occupational Disease Reserve	200,000	200,000
Earthquake Disaster Reserve	20,000	20,000
Research Reserve	30,000	30,000
Injury Reduction and Return-to-Work Initiatives Reserve	50,000	—
General Reserve	250,000	250,000
Capital Adequacy Reserve	1,269,000	869,000
	1,859,000	1,409,000

See Note 2(E) for descriptions of the reserves.

NOTE 11 — PREMIUMS (\$ THOUSANDS)

	2010	2009
Rateable classes	1,214,327	1,118,140
Partners Program financial incentives	(14,058)	(11,943)
Penalties	5,047	4,636
Capping of rate changes and amortization of balance		
Capping of rate changes	(63,212)	(4,947)
Amortization of balance	(112,116)	(147,876)
	(175,328)	(152,823)
	1,029,988	958,010
Levy for injury-reduction initiatives	25,576	19,199
Rateable employers	1,055,564	977,209
Self-insured employers (Note 12)	4,655	47,291
	1,060,219	1,024,500

NOTE 11 — CONTINUED

Partners Program financial incentives — The Partners in Injury and Disability Prevention program is an employer incentive program in support of the WorkSafeBC vision of workers and workplaces safe and secure from injury, illness, and disease. Through financial incentives, this program encourages employers to implement health, safety, and return-to-work management systems.

Capping of rate changes and amortization of balance — The capping of rate changes represents the effect of WorkSafeBC's policy to limit changes to the rates of any rate group from year to year. The amortization of the balance represents the *effect* of the planned amortization of the projected unappropriated balance (surplus or deficit determined on a smoothed basis) of each rate group at the beginning of each appropriate year.

NOTE 12 — SELF-INSURED EMPLOYERS (\$ THOUSANDS)

	2010	2009
Current premium income.....	30,359	47,291
Adjustment of unfinalled claims provision for employers that transferred to rateable classes.....	(25,704)	—
	4,655	47,291
<i>Claim costs</i>		
Short-term disability.....	6,270	14,326
Long-term disability.....	2,454	7,457
Survivor benefits.....	2,687	1,624
Health care.....	9,873	12,491
Vocational rehabilitation.....	1,883	2,468
Claim administration.....	4,986	8,054
	28,153	46,420
Share of special reserves costs.....	2,352	2,597
Operating costs.....	7,579	7,738
	38,084	56,755
<i>Less:</i>		
Share of investment income	(7,725)	(9,464)
	30,359	47,291

Included in the benefit liabilities is \$133 million (2009: \$169 million) of provision for unfinalled claims for self-insured employers (except for the federal government).

An equivalent amount is included in receivables because these liabilities will be paid by those employers in future years; hence, they do not affect WorkSafeBC's unfunded liability.

NOTE 13 — OPERATING COSTS (\$ THOUSANDS)

	Prevention	Customer services	Information technology and facilities	Corporate services	WCAT, Review Division, and advisors	Total	2009
Salaries and employee benefits.....	45,869	136,946	29,262	72,453	11,543	296,073	265,556
Amortization of capital assets.....	1,585	9,971	10,923	1,800	4	24,283	25,018
WCAT and advisors.....	—	—	—	—	26,238	26,238	27,479
Office expenses and communication.....	1,412	6,796	10,133	1,580	356	20,277	22,413
Consulting fees	831	7,471	8,979	4,309	342	21,932	27,356
Building expenses	54	328	9,551	1,851	23	11,807	12,642
Sessional doctor fees.....	—	6,411	—	—	20	6,431	6,135
Travel and vehicle expenses	2,785	2,213	296	487	31	5,812	5,803
Personal computer leases.....	346	1,152	556	387	110	2,551	2,950
Other administration expenses	2,698	10,481	2,002	18,034	332	33,547	34,205
Injury-reduction initiatives	25,576	—	—	—	—	25,576	19,199
Cost recoveries	(558)	(21,468)	(6,829)	(22,942)	(8)	(51,805)	(43,398)
	80,598	160,301	64,873	77,959	38,991	422,722	405,358
<i>Less:</i>							
Claim administration costs	—	133,440	37,977	48,727	17,568	237,712	237,523
	80,598	26,861	26,896	29,232	21,423	185,010	167,835

NOTE 14 — EXECUTIVE AND BOARD OF DIRECTORS REMUNERATION

The following table shows the compensation for senior executive management of WorkSafeBC.

	Salary	Deferred compensation	Benefits	Bonus	Other earnings	Total	2009
President and Chief Executive Officer	270,000	—	58,635	112,199	12,026	452,860	423,894
Senior Vice-President and Chief Financial Officer	220,000	84,965	56,590	63,540	11,201	436,296	326,913
Senior Vice-President, Corporate Affairs	220,000	—	45,075	70,140	12,126	347,341	328,591
Senior Vice-President, Operations	220,000	—	44,263	66,840	12,026	343,129	327,132
Vice-President, Claims Services.....	196,615	—	43,611	57,855	12,125	310,206	288,419
	1,126,615	84,965	248,174	370,574	59,504	1,889,832	1,694,949

NOTE 14 — CONTINUED

Bonuses were awarded based on the achievement of corporate goals and performance targets (see page 25), excluding performance targets related to improved adjudicative decision-making.

Benefits include medical benefits, dental benefits, group life insurance, disability plans, and the employer's share of contributions or payments to the WorkSafeBC employee pension plan, Canada Pension Plan, and employment insurance.

Other earnings include payout of unused vacation, car allowances, and supplementary executive allowances for reimbursement of medical, dental, and insurance expenses not covered in the employee benefit plans.

The following table shows the total compensation for the Board of Directors of WorkSafeBC.

	Number of individuals	Fees	Statutory benefits	2010 Total	2009 Total
Chair, Board of Directors.....	1	31,816	312	32,128	30,750
Board members	6	108,318	3,963	112,281	111,713
	7	140,134	4,275	144,409	142,463

The Chair's remuneration consists of an annual retainer of \$15,000 and \$500 per day per meeting attended. All other Board members received an annual retainer of \$7,500 and \$500 per meeting attended. Statutory benefits consist of WorkSafeBC's share of Canada Pension Plan contributions and employment insurance premiums when compensation is paid to the individual.

NOTE 15 — EMPLOYEE FUTURE BENEFITS (\$ THOUSANDS)

WorkSafeBC has several employee benefit plans that provide pension and other post-employment benefits to its employees.

WorkSafeBC and its employees contribute to the Workers' Compensation Board (WCB) Superannuation Plan, a registered defined benefit plan. The plan provides pensions based on length of service and best five-year average earnings. For funding purposes, and to determine the contribution rate, the plan requires an actuarial valuation of plan liabilities at intervals of not more than three years. The last valuation for the WCB Superannuation Plan was carried out as at March 31, 2009.

WorkSafeBC also has a supplementary executive retirement plan to provide for pension benefits earned in excess of the maximum pension benefits under the WCB Superannuation Plan. The pension benefits in the supplementary executive plan, which is not funded, are based on service and best five-year average earnings. An actuarial valuation for the supplementary executive retirement plan was carried out as of December 31, 2010 for financial reporting purposes.

In addition, WorkSafeBC also has a financial obligation relating to the basic medical and extended health care benefits it provides to eligible WorkSafeBC retirees; WorkSafeBC employees are not required to contribute toward these health care benefits.

The cost of these retirement benefits earned by employees is actuarially determined using the projected benefit method prorated on service and management's best estimate of expected plan investment performance, compensation level increases, retirement ages of employees, and expected health care costs. Pension plan assets are recognized at fair value and the expected return is also based on the fair value of its assets. The March 31, 2009 funding valuation results were used to derive the projected liabilities at year-end.

The total net actuarial gains or losses are amortized when the amount exceeds 10 percent of the greater of the accrued benefit obligation at the beginning of the year and the fair value of plan assets at the beginning of the year. The net actuarial gains or losses are amortized on a straight-line basis over the average remaining service period of active employees expected to receive benefits under the plan.

The significant actuarial assumptions adopted in valuing WorkSafeBC's benefit plan expenses are shown in the following table.

NOTE 15 — CONTINUED

	Pension plans		Other benefit plans	
	2010	2009	2010	2009
Discount rate	5.25%	6.2%	5.25%	6.2%
Expected long-term rate of return on plan assets	5.25%	6.2%	—	—
Rate of compensation increase/health care cost increase	2.25%	3.2%	4.25%	5.2%
Average remaining service period of active employees expected to receive benefits under the plans	9.5 years	9.5 years	9.5 years	9.5 years

The rates shown in the 2010 column were effective as of December 31, 2010. The rates were applied in determining the benefit plan balances at December 31, 2010. Rates shown in the 2009 column were effective from December 31,

2009 to December 30, 2010. The 2009 rates were applied in determining the 2010 benefit plan expenses.

Aggregated information about WorkSafeBC's employee benefit plans is summarized in the following table.

	Pension plans		Other benefit plans	
	2010	2009	2010	2009
Accrued benefit obligation — December 31	(1,091,530)	(952,592)	(141,911)	(127,352)
Fair value of plan assets — December 31	1,047,998	963,018	—	—
Funded status — plan surplus (deficit) — December 31	(43,532)	10,426	(141,911)	(127,352)
Unamortized net actuarial loss — December 31	159,514	102,481	20,574	17,422
Unamortized transitional asset — December 31	—	(13,336)	—	—
Accrued benefit asset (liability) — December 31	115,982	99,571	(121,337)	(109,930)
Employee contributions	13,062	12,563	—	—
Employer contributions	26,607	16,658	—	—
Benefit plan expenses:				
Actual return on plan assets	(71,510)	(62,448)	—	—
Actuarial gain on plan assets	11,385	1,773	—	—
Expected return on plan assets	(60,125)	(60,675)	—	—
Employer current service cost	21,622	19,010	5,305	5,383
Interest cost on accrued benefit obligation	59,335	55,691	—	—
Amortization of:				
Transitional asset	(13,336)	(13,339)	—	—
Net actuarial loss	2,700	—	493	945
Net benefit plan expenses	10,196	687	5,798	6,328

The accrued benefit asset relating to WorkSafeBC's pension benefit plans are included in accounts receivable (Note 3), while the accrued benefit liability relating to its other employee benefit plans is included in accounts payable (Note 7). In 2010, an interest cost of \$7,987 (2009: \$8,104) on WorkSafeBC's accrued benefit obligation relating to its retirees' post employment medical benefits was offset by the interest earned by the portion of the Accident Fund that has been internally restricted for the purpose of supporting this financial obligation.

Unamortized net actuarial loss — The unamortized net actuarial loss includes an actuarial loss during 2010 on the accrued benefit obligation of \$71,118 (2009: loss of \$68,987) for the pension benefit plans, and an actuarial loss of \$3,645 (2009: gain of \$2,452) for other benefit plans.

Transitional asset — Pension plan assets and liabilities were revalued at January 1, 2000, from smoothed values to market values. The revaluation was due to a change in Canadian accounting standards for employee future benefits. The

NOTE 15 — CONTINUED

revaluation created a surplus of asset values over liabilities of \$146,726 at January 1, 2000. The surplus (transitional asset) was amortized over 11 years, the expected remaining service life of active employees at the time of the revaluation, with the last year being 2010. The full amount of \$146,726 has been amortized, of which \$13,336 was amortized during 2010.

Solvency amortization payments — The last actuarial valuation of the WCB Superannuation Plan, as of March 31, 2009, required minimum solvency amortization payments of \$10.5 million per year for five years from March 31, 2009. Pursuant to Section 35.1 of the B.C. Pension Benefits Standard Regulation, WorkSafeBC used a letter of credit to secure the solvency amortization payments that would have been otherwise payable in the period April 1, 2009 to December 31, 2010. The \$19 million letter of credit was issued on February 8, 2010 and expired on January 31, 2011. On January 31, 2011, a lump-sum contribution was made to the plan (see Note 20). With this contribution, as at December 31, 2010, the obligation to contribute annual minimum solvency amortization payments is fully discharged.

NOTE 16 — COMMITMENTS (\$ THOUSANDS)

WorkSafeBC has several operating leases relating to computer equipment and office space. Renewal options are a feature in some of the office space lease agreements. As WorkSafeBC may or may not exercise its rights under these options, renewal amounts are excluded from commitments. WorkSafeBC has also committed to fund certain research projects and injury reduction initiatives. The future commitments for payments expected to be charged against operating costs over the next five years are as follows:

	Computer equipment	Office space	Research grants and awards	Injury reduction initiatives	Total
2011	2,189	3,206	2,091	2,240	9,726
2012	1,103	2,610	475	1,225	5,413
2013	418	2,696	—	831	3,945
2014	35	772	—	—	807
2015	20	69	—	—	89
	3,765	9,353	2,566	4,296	19,980

NOTE 17 — CONTINGENT LIABILITIES

INTEREST POLICY

A certified class action lawsuit has been brought against WorkSafeBC which could result in a change in WorkSafeBC's interest policy, implemented in 2001, for retroactive benefit payments. Prior to 2001, WorkSafeBC paid interest on

retroactive short-term and long-term disability payments. Since the 2001 implementation of the new interest policy, interest is paid only where it is demonstrated that a WorkSafeBC staff member error necessitated the retroactive payment. The case is still before the courts — an appeal to the B.C. Court of Appeal was heard in March 2010, for which a judgment has not yet been made. Based on information presently available, the likely outcome of this action is not determinable. The amount of any potential loss cannot be reasonably estimated until the interest policy is amended, if necessary, and will be recorded at the time of that determination.

MENTAL STRESS

Several challenges have been made to Section 5.1 of the *Workers Compensation Act* requesting WorkSafeBC to compensate for mental stress claims. In 2009, the B.C. Court of Appeal struck down portions of WorkSafeBC's policy, although Section 5.1 was confirmed. Based on information presently available, the likely outcome is not determinable. The amount of any potential loss cannot be reasonably estimated unless policy is amended, if necessary, and will be recorded at the time of that determination.

CHRONIC PAIN

There are several challenges to WorkSafeBC's policy regarding chronic pain and the limitation of pension awards to 2.5 percent. In February 2010, the B.C. Court of Appeal ruled that such challenges can be heard by the B.C. Human Rights Tribunal. WorkSafeBC appealed the decision and was granted a hearing by the Supreme Court of Canada, to take place in March 2011, to decide whether the B.C. Human Rights Tribunal has the jurisdiction to hear issues already decided by WorkSafeBC's Review Division. Any amendment to policy, if necessary, is on hold until the matter is settled. The amount of any potential loss cannot be reasonably estimated until the policy is amended, if necessary, and will be recorded at the time of that determination.

LEGAL PROCEEDINGS

At any given time, WorkSafeBC is party to various claims and legal proceedings related to its operations. Management believes that the organization has strong defenses against these claims and that no financial provisions for them are appropriate or required.

INDEMNIFICATION AGREEMENTS

In the normal course of operations, WorkSafeBC enters into contractual agreements that contain standard contract terms which provide that WorkSafeBC shall indemnify certain parties. The potential liability of WorkSafeBC under the terms

will vary depending on the wording of the terms and/or the occurrence of contingent or future events, the nature of which prevents WorkSafeBC from making a reasonable estimate of the potential amount that may be payable to those contractual parties. WorkSafeBC also indemnifies its employees and members of its Investment Committee against all claims or proceedings brought against them for any actions performed which the individual believed were within the jurisdiction of WorkSafeBC and in the course of their employment, or performed with reasonable care within the terms of reference of the committee. WorkSafeBC has not made any payments or accrued any amounts in the financial statements in respect of these indemnifications.

NOTE 18 — CAPITAL MANAGEMENT (\$ THOUSANDS)

WorkSafeBC's total capital available or funded position is represented by the sum of the unappropriated surplus, accumulated other comprehensive income (loss), and reserves. Its objectives when managing capital are as follows:

- To build up capital to a level that provides a comparable degree of security of worker benefits to that required for private insurers regulated under the federal Office of the Superintendent of Financial Institutions (OSFI). WorkSafeBC has adopted a capital adequacy policy modelled after OSFI guidelines. This policy specifies the criteria under which the capital adequacy reserve will be built up or drawn down.
- To mitigate against the risks in the investment portfolio and to reduce volatility of employer premium rates arising from investment in equities. Equity investments are expected to produce higher long-term returns and thus lower long-term employer assessment costs, but they are subject to market volatility. Strong capital reserves can be drawn upon to limit employer premium rate volatility arising from investment in equities.
- To cover reasonable levels of both foreseen and unforeseen plausible events that, even though they occur relatively infrequently, could have a significant financial impact on WorkSafeBC.

These objectives are aligned with WorkSafeBC's strategic objective to ensure long-term financial sustainability of the workers' compensation system.

WorkSafeBC maintains a capital adequacy reserve and has set a target capital adequacy reserve level [see Note 2(E)] to achieve the capital management objectives noted above. The following table shows the total assets as a ratio of the target asset requirement level, which is based on the total liabilities, plus the target capital adequacy reserve level, plus other reserves. WorkSafeBC manages its capital on the basis of achieving 100 percent of the target asset requirement in the long term.

	2010	2009
Total assets.....	12,647,165	11,969,926
Target asset requirement level	13,140,333	12,960,499
Percent of target assets achieved	96%	92%

NOTE 19 — RELATED PARTY TRANSACTIONS (\$ THOUSANDS)

WorkSafeBC is accountable to the public through the government of B.C., but is separate and distinct from government. It is not part of the B.C. government reporting entity, and is not considered a related party for financial reporting purposes.

Transactions with various B.C. government-controlled ministries, agencies, and Crown corporations are at prevailing market prices and are settled on normal trade terms.

NOTE 20 — SUBSEQUENT EVENT

On January 31, 2011, WorkSafeBC made a lump-sum contribution of \$139 million to the Workers' Compensation Board Superannuation Plan. This is the estimated amount, from the March 31, 2009 actuarial valuation, by which plan termination liabilities would exceed the value of plan assets if the plan was terminated. With this contribution, as at December 31, 2010, there is no requirement to contribute annual minimum solvency amortization payments that would otherwise be payable.

NOTE 21 — COMPARATIVE FIGURES

Certain 2009 figures have been reclassified to conform to the current year's presentation.

Eckler

Actuary's opinion

The liabilities included herein have been computed by WorkSafeBC in accordance with methods and assumptions approved by us. We have made such tests of the calculations as were deemed necessary. We have also examined the data upon which the calculations were based and found it to be sufficient and reliable for our purposes and consistent with WorkSafeBC's financial statements.

The liabilities under Pension awards, capitalized values are for pensions in payment, and include the effect of cost-of-living increases granted effective January 1, 2011. They have been computed using the same mortality and other assumptions used for the valuation as at December 31, 2009. A net interest rate of 4.0 percent was used to discount pensions. This rate makes implicit provision for the future indexing of pensions on the assumption that investment earnings on WorkSafeBC's assets will exceed increases in the consumer price index (CPI) by 3.0 percent per year, over the long term, and that indexing will be provided at CPI minus 1.0 percent.

The Provision for unfinanced claims represents the liabilities for future claims costs in respect of injuries that occurred during 2010 and prior years, including future pensions other than those already in payment, and future claim administration expenses. It is based on projections of future claim payments and awards using ratios developed from WorkSafeBC's claims experience, average benefit rates, net discount rates reflecting the real rate of return above and, where applicable, the mortality and other assumptions used for computing pension liabilities.

The methods used in calculating the liabilities were substantially the same as those employed in the previous valuation as at December 31, 2009.

In our opinion, the assumptions made are appropriate, the methods employed are consistent with sound actuarial principles, this valuation conforms with accepted actuarial practice, and the resulting amounts set out below make reasonable provision, as at December 31, 2010, for the future benefit and claims administration expenditures of WorkSafeBC in respect of injuries to December 31, 2010.

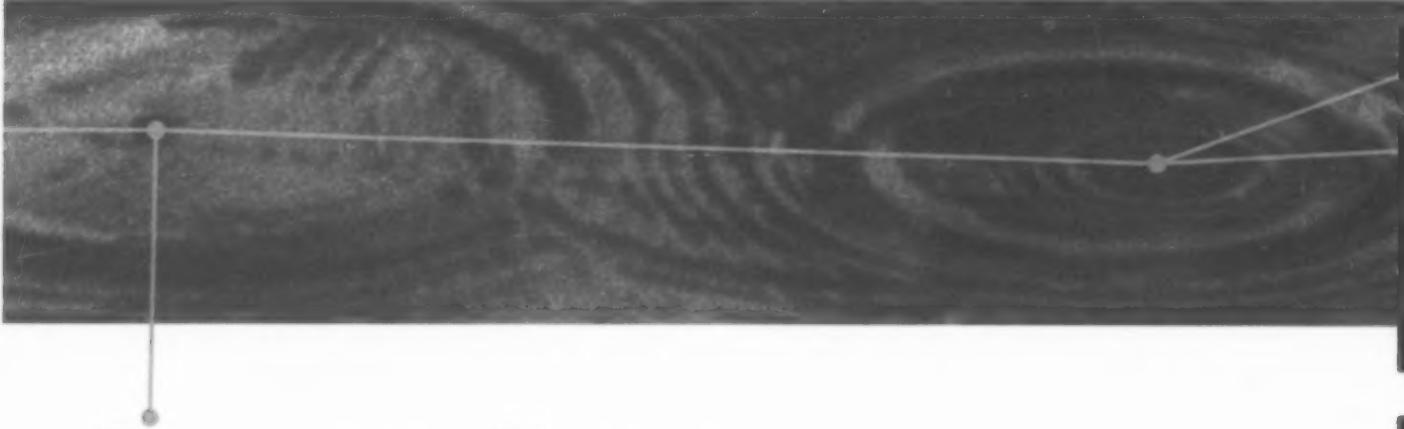
(\$ THOUSANDS)	Pension awards, capitalized values	Provision for unfinanced claims	Total
Benefit liabilities			
Short-term disability	—	284,556	284,556
Long-term disability	3,756,339	1,893,599	5,649,938
Survivor benefits	781,707	77,391	859,098
Health care	—	1,775,617	1,775,617
Vocational rehabilitation	—	193,947	193,947
Claim administration	—	626,213	626,213
	4,538,046	4,851,323	9,389,369

Richard A. Border, FIA, FCIA

Wendy F. Harrison, FSA, FCIA

Actuaries with the firm of Eckler Ltd.

March 4, 2011



Appendices

Appendix A: Linking Costs with Goals and Strategies

In developing the operating budget each year, the Board of Directors and Senior Executive Committee strive for the best possible balance between the funding and support of WorkSafeBC's strategic goals. However, WorkSafeBC's goals are broad, and the organization shares the responsibility for promoting these goals among its various departments and divisions. Consequently, it's difficult to identify the costs of fostering specific goals and objectives.

In recent years, WorkSafeBC has become an increasingly integrated and interdependent organization. And most of its programs and initiatives target more than one of the organization's strategic goals. As such, it might be misleading to allocate budget dollars based on specific organizational goals or functions.

WorkSafeBC's prevention initiatives illustrate the inherent difficulty in isolating the cost of specific goals. A new prevention program, for instance, may contribute to the goal of improving occupational health and safety in the workplace. But the program would also support the goal of maintaining financial

sustainability and stability, while influencing other goals. Further, the same initiative would likely involve significant contributions from more than one division. WorkSafeBC's annual expenditures can be broken down based on its general business activities, which are closely associated with groups of strategic goals (as outlined in the table on the next page). But such a system of classification is not exhaustive. These areas of expenditure are accompanied by a ratio, or contextual measure, to help put WorkSafeBC's expenditures in perspective.

The relationship between costs and performance outcomes

The areas of expenditure on the next page are linked with groups of strategic goals. However, changes in costs do not necessarily imply subsequent changes in outcomes. An increasing injury rate, for example, may trigger an increase in expenditures to prevent injuries. Over time, as the effects of those expenditures bear results, performance may improve; but, in the short term, costs may rise while outcomes are falling. In terms of claim administration, an excessive reduction in administrative expenditures might increase claim duration and delay return to work outcomes, thus increasing the overall cost to the system. Such examples illustrate the limitations of the relationships outlined in the following table.

Area of expenditure	Strategic goals most directly influenced	Context
Prevention — \$81 million or 5.5 % of total costs in 2010	<p>Goal #1: Foster the improvement of occupational health and safety in workplaces</p> <p>Goal #4: Maintain financial sustainability and stability</p>	Based on 2 million person years and an average of 1,700 hours of paid work in a year, prevention expenditures accounted for \$0.02 per paid hour worked in B.C. in 2010 (\$0.02 in 2009)
Claim costs — \$1,055 million or 71 % of total costs in 2010	Claim costs are not expended to achieve a specific strategic goal, but are part of WorkSafeBC's legislated mandate	Claim costs accounted for approximately \$0.31 per paid hour worked in B.C. in 2010 (\$0.32 in 2009)
Customer services and infrastructure — \$225 million or 15.2 % of total costs in 2010	<p>Goal #2: Improve service to stakeholders</p> <ul style="list-style-type: none"> a) Improve satisfaction, accessibility, and public confidence b) Improve adjudicative decision making throughout the divisions, ensuring consistency with the legislation and policy <p>Goal #3: Improve cost-effectiveness and accountability of the services we deliver</p> <p>Goal #4: Maintain financial sustainability and stability</p>	Customer service costs represented about \$0.07 per paid hour worked in B.C. in 2010 (\$0.07 in 2009)
Corporate services (financial management, policy development, governance, corporate services, etc.) — \$78 million or 5.3 % of total costs in 2010	<p>Goal #2: Improve service to stakeholders</p> <ul style="list-style-type: none"> a) Improve satisfaction, accessibility, and public confidence b) Improve adjudicative decision making throughout the divisions, ensuring consistency with the legislation and policy <p>Goal #3: Improve cost-effectiveness and accountability of the services we deliver</p> <p>Goal #4: Maintain financial sustainability and stability</p>	Corporate service costs represented about \$0.02 per paid hour worked in B.C. in 2010 (\$0.02 in 2009)
Review Division, external appeals, and workers' and employers' adviser services — \$39 million or 2.6 % of total costs in 2010	<p>Goal #2: Improve service to stakeholders</p> <ul style="list-style-type: none"> a) Improve satisfaction, accessibility, and public confidence b) Improve adjudicative decision making throughout the divisions, ensuring consistency with the legislation and policy <p>Goal #3: Improve cost-effectiveness and accountability of the services we deliver</p>	<p>External service costs represented about \$0.01 per paid hour worked in B.C. in 2010 (\$0.01 in 2009)</p> <p>Workers and employers benefit from the advisory services provided by the Ministry of Labour and the appeal services offered by the Workers' Compensation Appeal Tribunal (WorkSafeBC funds both services). Workers and employers benefit from these agencies either directly or through the education, outreach, and dialogue they provide. The value of these services, therefore, extends well beyond the direct number of cases served to affect virtually all claims in the system. Costs associated with the external appeals and advisor systems were about \$109 per claim file handled by the workers' compensation system in 2010 (\$104 in 2009). Costs associated with the internal review process were about \$49 per claim file handled in 2010 (\$50 in 2009).</p>

Appendix B: Comparing Results with Other Jurisdictions

Each workers' compensation organization in Canada is subject to a distinct set of legal requirements, policies, and operating issues, so it's difficult to make direct comparisons between WorkSafeBC's performance and that of other jurisdictions.

To enable performance comparisons, the Association of Workers' Compensation Boards of Canada (AWCBC) compiles a set of standardized financial and statistical indicators. These indicators are compiled using data collected from all Canadian jurisdictions, including WorkSafeBC. Most of these indicators are not directly comparable with the 11 key objective/performance indicators used by WorkSafeBC; however, in some cases WorkSafeBC's performance can be approximately compared to that of other workers' compensation organizations. With the exception of key objective/performance indicator #9 (which uses 2010 numbers) all comparisons are made using 2009 data — the most current information available at the time of publication.

Key objective #1: Reduce the provincial injury rate³³

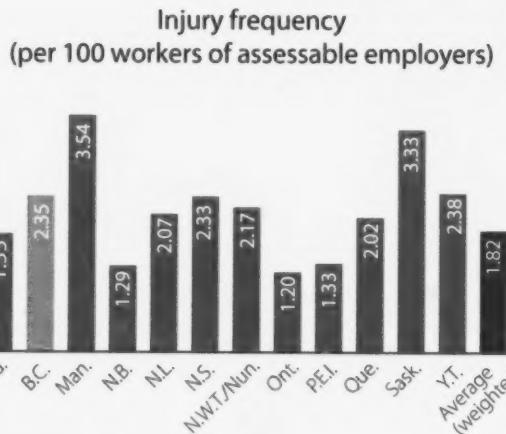
2010 target: 2.6 or less — claims first accepted per 100 person-years of employment

2010 result: 2.27 — claims first accepted per 100 person-years of employment (see page 27)

2011–2013 targets: 2.6 or less, 2.5 or less, 2.5 or less

Related comparison: The AWCBC publishes an annual, provincial/territorial comparison of injury frequency using a standardized calculation. However, injury frequency cannot be directly compared between provinces and territories, because injury rates are influenced by the industries present in each jurisdiction.

The following chart reflects the relative injury frequency for all provinces/territories, as published in January 2011 (based on 2009 source data).



Source: AWCBC Key Statistical Measures 2009,
<https://aoc.awcbc.org/KsmReporting/ReportDataConfig/>

Key objective #2: Reduce the average short-term claim duration

2010 target: 53 days or less

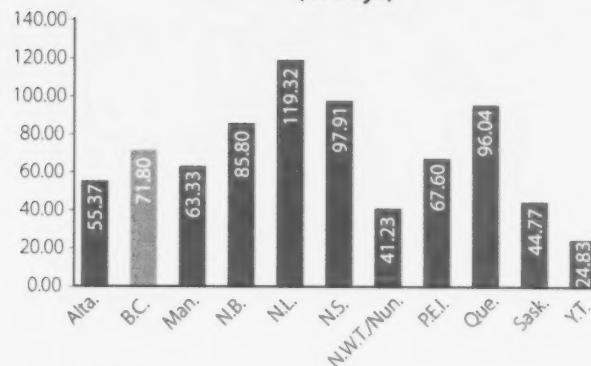
2010 result: 58.8 days (see page 30)

2011–2013 targets: 55 days or less, 52 days or less, 49 days or less

Related comparison: The AWCBC publishes an annual, provincial/territorial comparison of claim duration using a standardized calculation. The AWCBC's measurement of claim duration differs from the measurement used by WorkSafeBC. For example, the AWCBC measure includes wage-loss benefits paid to workers in vocational rehabilitation, while WorkSafeBC's indicator does not. As well, the AWCBC measure expresses claim duration using the number of calendar days, whereas WorkSafeBC's measure expresses duration using work days.

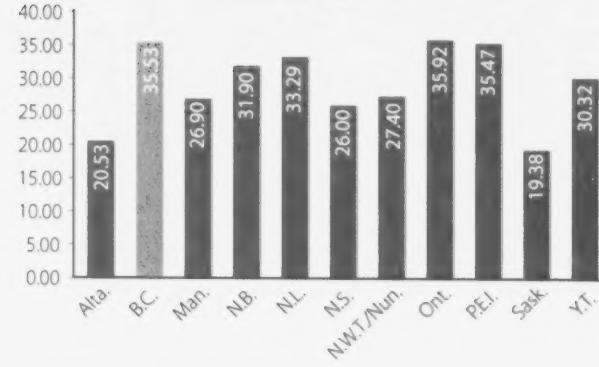
In addition, the AWCBC measure is not directly comparable between jurisdictions, because each province and territory experiences claims of a shorter or longer duration based on that area's particular mix of industries and economic factors. The following chart reflects the average composite claim duration in calendar days for Canadian provinces and territories, as published in January 2011 (based on 2009 source data).

Average composite duration of claims (in days)



Source: AWCBC Key Statistical Measures 2009,
<https://aoc.awcbc.org/KsmReporting/ReportDataConfig/>
(Data not available for Ontario. National average not available)

Average calendar days from injury to first payment issued



Source: AWCBC Key Statistical Measures 2009,
<https://aoc.awcbc.org/KsmReporting/ReportDataConfig/>
(Data not available for Quebec. National average not available)

Key objective #3: Improve return-to-work outcomes for workers in vocational rehabilitation

Related comparison: No comparable data is available.

Key objective #4: Improve timeliness of initial short-term disability payments

2010 target: 22.0 days

2010 result: 24.9 days (see page 33)

2011–2013 targets: 24.0 days, 24.0 days, 24.0 days

Related comparison: The AWCBC publishes an annual provincial/territorial comparison of the timeliness of initial short-term disability payments using a standardized calculation that is slightly different from WorkSafeBC's method of calculation. The chart in the next column reflects the average number of calendar days starting from the date of injury to the date of first payment, as published in January 2011 (based on 2009 source data).

Key objective #5: Improve injured workers' rating of overall experience

Related comparison: No comparable data is available.

Key objective #6: Improve employers' rating of overall experience

Related comparison: No comparable data is available.

Key objective #7: Raise public confidence

2010 target: 84 percent

2010 result: 91 percent (see page 38)

2011–2013 targets: 85 percent, 85 percent, 86 percent

Related comparison: To track public confidence, WorkSafeBC hires a third party to survey B.C. residents at least four times a year. Respondents are asked if WorkSafeBC makes a positive or negative contribution to the province. The major indicator of WorkSafeBC's success is the degree to which British Columbians think the organization makes a positive contribution to the province. As with all surveys, sample size, respondent variation, and issues prevalent in the news media can influence results.

No other workers' compensation system in Canada reports on its ability to raise public confidence, nor uses a similar indicator to determine its reputation with the communities it serves. Several provincial public and private organizations have conducted surveys similar to the one carried out on behalf of WorkSafeBC; however, these results are no longer available to the public. Nonetheless, similar survey results are in a range from a high of 95 percent to a low of 55 percent among participating groups.

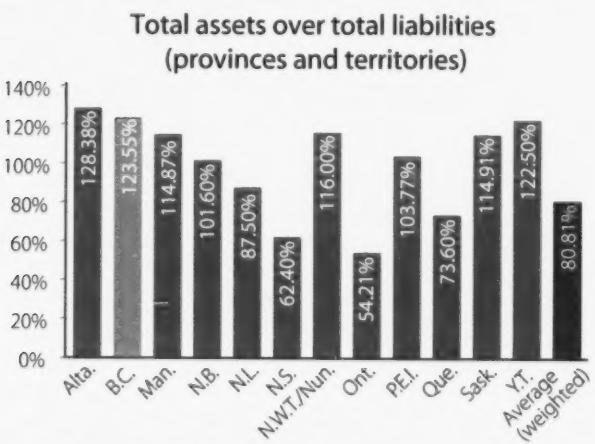
Key objective #8: Achieve 100 percent of the target asset level

2010 target: 90 percent

2010 result: 96 percent (see page 40)

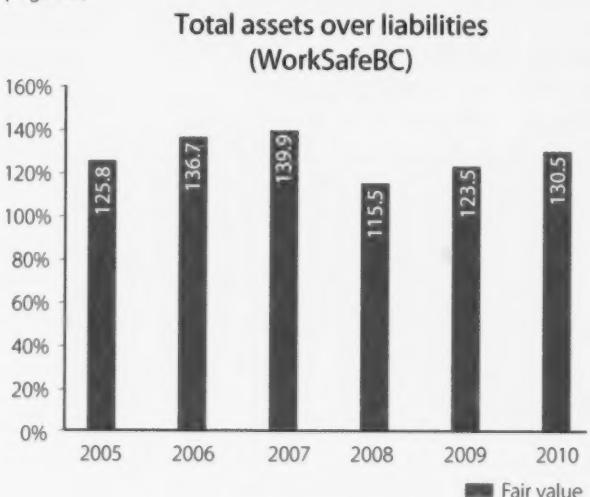
2011–2013 targets: 94 percent, 94 percent, 94 percent

Related comparison: For the purposes of comparison with other provinces and territories in Canada, the only other metric of funding adequacy that's available, and used by the AWCBC, is total assets divided by total liabilities. The following chart shows the average funding level of each provincial and territorial workers' compensation system, published in January 2011, stated in terms of its market value and based on year-end 2009 data.



Source: AWCBC Key Statistical Measures 2009,
<https://aoc.awcbc.org/KsmReporting/ReportDataConfig/>

The following chart shows WorkSafeBC's funding level. In comparing the two measures of funding sufficiency — achieve 100 percent of the target asset level versus the funding level (assets over liabilities) — 96 percent achievement against the target asset level is the equivalent of to 130 percent asset coverage over liabilities. This is because WorkSafeBC aims to have more assets than liabilities, in the form of various reserves. (See Note 2(E) of the consolidated financial statements, page 73.)



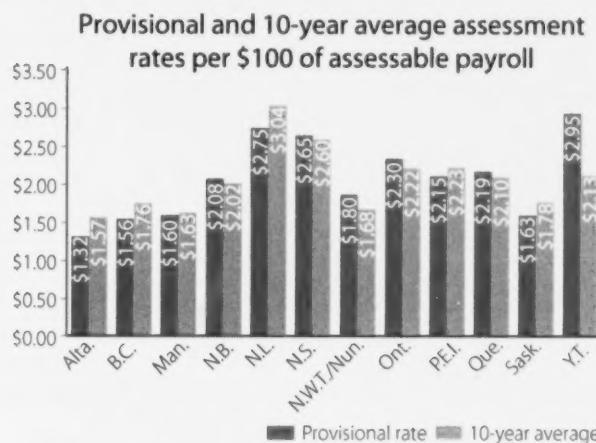
Key objective #9: Attain an aggregate premium rate between \$1.25 and \$2.25³⁴ per \$100 of assessable payroll

2010 target: \$1.41

2010 result: \$1.43 (see page 43)

2011–2013 targets: \$1.45, \$1.49, \$1.52

Related comparison: Each jurisdiction in Canada establishes its own assessment rates. The aggregate provisional rate reflects the weighted average premium for assessable employers within the scope of coverage for each province and territory. The rates charged by other provinces and territories reflect the unique mix of industries, injury rates, benefits, prevention activities, and funding needs, and are not directly comparable to B.C. AWCBC data are calculated using a standard method and provide a general indicator of the range of employer costs for workers' compensation coverage.



Source: AWCBC Statistics,
http://www.awcbc.org/common/assets/assessment/avg_rates_history.pdf

This graph illustrates that, in comparison with those in other provinces and territories, B.C. has enjoyed competitive and stable rates.

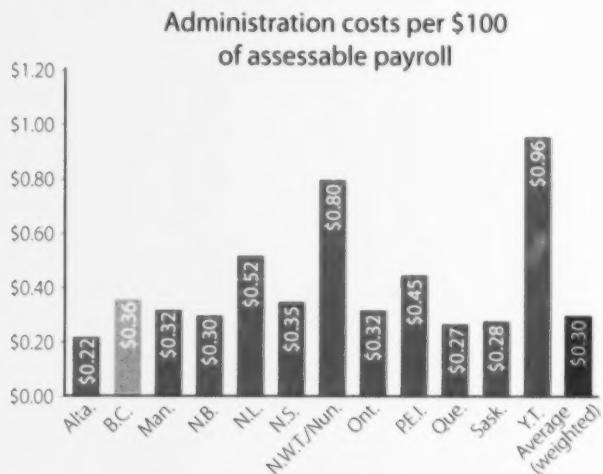
Key objective #10: Control administration costs (per \$100 of assessable payroll)

2010 target: \$0.36

2010 result: \$0.36 (see page 44)

2011–2013 targets: \$0.35, \$0.34, \$0.33

Related comparison: The AWCBC calculates administration costs per \$100 of assessable employer payroll according to a standardized formula. The following chart shows the administration costs per \$100 of assessable employer payroll for each provincial jurisdiction as published in January 2011 (based on year-end 2009 data).



Source: AWCBC Key Statistical Measures 2009,
<https://aoe.awcbc.org/KsmReporting/ReportDataConfig/>

Key objective #11: Improve decision making throughout WorkSafeBC, ensuring consistency with legislation and policy

Related comparison: No comparable data is available

Appendix C: Operating environment

WorkSafeBC operates in a complex and changing environment. Both local events and global trends — including the rise and fall of equity markets, the cyclical economy, and labour market expansion and contraction — influence operations.

In addition, with the passing of time, workers and workers' compensation insurers are exposed to an increasing number of identified risks. In response, WorkSafeBC must remain vigilant in defining these risks and designing strategies to mitigate them.

WorkSafeBC's Board of Directors and Senior Executive Committee are committed to risk management practices that provide continual environmental scanning and rigorous business continuity planning. The Senior Executive Committee annually assesses the risks facing the organization and prioritizes the residual risk (after mitigation measures are taken into account) in terms of the likelihood of the risk occurring, and the magnitude of the impact. Key financial risks are listed in the Management Discussion and Analysis, page 61.

The following section highlights some of the major risk factors WorkSafeBC faced in 2010, and the uncertainties the organization will face over the next three years.

External factors

The economy and labour force

In 2010, the B.C. economy had shown definite signs of recovery in the aftermath of the global economic crisis, despite a slowing growth trend later in the year. Construction on major projects had again risen with proposed projects reaching an all-time high. (Positive Economic Indicators October 20, 2010 — Government of B.C.) Employment rose to nearly 2.3 million (seasonally adjusted December 2010) and B.C.'s labour force grew to more than 2.4 million. Unemployment, while falling from above 8 percent (seasonally adjusted January 2010) remained relatively high at 7.6 percent (seasonally adjusted December 2010).

Young workers continue to experience high levels of unemployment in the B.C. economy with the unemployment rate for males 15 to 24 averaging 17.6 percent in 2010 (yearly average) while females in that age group experienced a 10 percent unemployment rate. Since older workers tend to have fewer injuries but longer duration of recovery

than younger workers, these external trends influence the magnitude and direction of injury rates and compensation.

The latest recession and recovery have affected different sectors of the economy to varying degrees. While employment grew by 1.7 percent overall in 2010 over the previous year, there was only 0.9 percent growth in the goods producing industries. These industries tend to have higher than average risks for work-related injury. Employment in construction, and agriculture fell by 1.1 percent and 3.6 percent respectively. Manufacturing grew by 3.1 percent and the Utilities sector grew by 17.7 percent, other primary industries (included forestry) grew by less than 1 percent. The service producing industries generally have lower risk of injury but employ more than 1.8 million workers. Employment in these industries grew by 2 percent in 2010. Transportation and warehousing, professional and technical services and public administration all experienced growth above 5 percent; education grew by 3.7 percent; health and social service grew by 3 percent while employment in trade and finance sectors were between 2 percent and 3 percent. Employment in the hospitality (hotel and restaurant services) fell by 4.5 percent.

The economic outlook for B.C., while positive, is for relatively slow growth through the next few years. Research and past experience indicate that injury rates rise in a growing economy. As more workers are employed — even with a relatively steady injury rate, a low rate of employment growth, and a consistent mix of industry — more workers are expected to incur injuries. On the other hand, when employment growth is flat, claim duration tends to increase. During times of economic restraint, employee training, equipment maintenance, and investments in safety or safer technology often decline.

In the workforce, the mix of industry, age, and gender significantly influences injury rates. If injury rates in sectors with higher-than-average injury rates remain constant, greater employment in those industries could translate into more injuries, and therefore greater human and financial costs. And, while the increased income from premiums offsets the financial costs for the compensation system, nothing can make up for the human toll of injuries to workers and their families.

High unemployment rates tend to work against the employment prospects of workers who suffer permanent disability as a result of work-related injury. With fewer opportunities in the labour force, it is often necessary to assist workers in wider and longer job search programs or re-training to achieve a safe and sustainable return to work. For this reason, vocational rehabilitation expenditures continued to climb in 2010.

Despite a declining unemployment rate and large numbers of unemployed in B.C., businesses in some sectors still experienced a shortage of workers. When the domestic supply fails to meet the demand for labour or specialized skills, immigration increases, and employers are more likely to hire temporary foreign workers. In 2010, the number of temporary foreign workers in B.C. continued to climb. The most recent data shows the number of foreign temporary workers in B.C. on December 1, 2009 totaled more than 69,000. In addition, there are many others who enter the province, work here and then leave before December 1, including seasonal agricultural workers from Mexico and the Caribbean (more than 3,000 in 2010). Statistics are unavailable for other foreign workers, such as foreign students, refugee claimants with permission to work in Canada, and undocumented workers. All these workers are entitled to the same protections and benefits under the *Workers Compensation Act* as citizens and permanent residents, and may be vulnerable to work-related injury, illness, and disease because of language, culture, and situational circumstances.

The outlook for the B.C. economy continues to be positive; most estimates suggest growth of approximately 2 percent per year. Because of this growth, in addition to demand for new workers, the aging demographics of the labour force are projected to create 675,000 vacancies between 2009 and 2019. This demand will undoubtedly lead to more new workers in new jobs — a condition that increases the likelihood of injury. Consequently, demands for WorkSafeBC's prevention services are likely to increase.

Market volatility

Most workers' compensation claims are for short-duration wage loss. However, each year, a small portion of claims come from workers who will require financial assistance and medical care for a longer period of time — sometimes for the rest of their lives. These claims create a long-term funding liability for workers' compensation systems.

To provide lifelong care for workers and fund their claims beyond the year of their injuries, WorkSafeBC invests a portion of its employer premiums; accordingly it must manage the value of these assets to match the liability of all active claims. When the market is volatile, the value of the funds invested by the workers' compensation system can be impacted, creating a gap between assets and liabilities. In the short term, fluctuations in market values create imbalances that can be managed without jeopardizing the system's sustainability. Prolonged

periods of loss, however, can affect the system's capacity to generate the returns needed to meet long-term financial commitments. See Management discussion and analysis (page 57) for a summary of WorkSafeBC's investment strategy and performance in 2010.

In 2010, supported by a significant amount of fiscal and monetary stimulus, the world economy continued to recover, and financial markets were generally positive. The Canadian and global economies are anticipated to continue on a sustained, albeit slow, growth path in 2011. For the purpose of the 2011–2013 projections, WorkSafeBC's investment assumptions — made late in 2010 — reflect conservative estimates of gains over that term.

WorkSafeBC's Board of Directors and Senior Executive Committee closely monitor economic conditions and the overall health of the workers' compensation system, allowing WorkSafeBC to respond to changing financial circumstances. The organization will continue implementing the investment policy adopted in 2009, with a reduced allocation to publicly traded equities.⁴⁵ In volatile markets this change lowers the potential risk of WorkSafeBC's investment portfolio. To lessen the potentially negative effects of short-term volatility on compensation entitlements or critical prevention programs, WorkSafeBC bases its decision making on its long-term goals for stability and sustainability.

Injury rate and severity

In 2010, the serious injury rate⁴⁶ (introduced in the 2008 Annual Report and 2009–2011 Service Plan) has remained relatively stable at 0.8.

Slightly more than one-third of time-loss injuries result in a serious injury, a proportion that has remained relatively constant year over year.

WorkSafeBC's investigations confirm that the number of incidents and injuries can be reduced through greater compliance with safe work procedures and attention to the human factors contributing to higher injury rates, such as fatigue. Thus, in 2010 and beyond, WorkSafeBC will continue emphasizing its compliance mandate through enforcement, education, and consultation.

As well, the more severe an occupational injury, generally the more time a worker spends away from his or her place of employment. Long absences can affect the permanent

disability rate. To limit the onset of long-term disabilities, WorkSafeBC will continue focusing on the early and safe return of workers to their jobs through its case management and vocational rehabilitation programs.

Occupational and environmental disease

In recent years, the organization has witnessed a significant increase in fatality claims from workers exposed to disease-causing agents, particularly asbestos. This growing trend can be partly attributed to increased public awareness, improved detection, and increased reporting of occupational disease.

Accordingly, it bears noting here that the incidence of newly emerging and expanding occupational diseases could significantly affect the cost and volume of claims, while also adding to WorkSafeBC's adjudicative and administrative challenges.

An increasing number of workers have become debilitated through previous exposure to asbestos, with research suggesting the incidence of disease associated with work-related asbestos exposure is under-reported or attributed to causes other than work. Research also points to a work-related source for many other cancers. As with many long-latency diseases, until a connection between work and a particular disease is clearly established, adjudicating and accepting such claims remains a difficult, case-by-case consideration.

Both research literature and other workers' compensation jurisdictions have raised concerns about other occupational respiratory diseases, such as occupationally induced or aggravated asthma, multiple chemical sensitivities, and infectious diseases, including tuberculosis. Also, new substances being used in workplaces, such as nanoscale particles, may adversely affect workers' health in the long term.

Research continues adding to the list of occupational exposures which cause adverse health effects, including cancer. The emergence or recognition of an occupational disease has important implications for both WorkSafeBC's insurance and prevention mandates. It requires that the organization develop prevention strategies to protect workers and educate employers; consider imposing standards or practices within

the industry in question; and collect and allocate funds to compensate diseased workers and their families. In anticipation of the future identification of causative links between work exposures and certain diseases, WorkSafeBC maintains a latent occupational disease reserve.

Internal factors

Alignment and staffing

WorkSafeBC operates a number of divisions that provide front-line service to workers, employers, and health care providers. And, when needed, the organization adjusts staffing levels and reassigns employees to meet operational requirements.

As often happens when new systems like Claims Management Solutions (CMS) systems are introduced, the staffing needs of the organization change. The need for certain skills, knowledge, and abilities create opportunities for internal development of existing staff and the recruitment of new employees. Term or temporary staff is needed to address projects or assist in addressing bottlenecks or new priorities. At the same time, tasks that may be handled more effectively by the new system free up staff that may be retrained and redeployed to other positions within the organization. Net staff reductions occur primarily through attrition (primarily retirements and modulating the number of temporary and term staff). Overall, the introduction of CMS and the other initiatives noted in the *2009 Annual Report and Service Plan* resulted in a decrease of about 1.6 percent (2010 over 2009).

In 2010, WorkSafeBC decreased its staff by 46 FTEs (full-time equivalents) over its 2009 levels.³⁷ Of the 3,181 employees (2,787 FTEs) who worked for WorkSafeBC, 3,027 (2,705 FTEs) worked full-time, 117 (65 FTEs) worked part-time, and 37 (17 FTEs) were involved in job-sharing arrangements.

Education and development of staff

To ensure the highest quality of services for workers and employers, WorkSafeBC's assessment, claims, and prevention staff are provided with initial and ongoing education on

workers' compensation law, regulations, policies, procedures, and associated systems. The introduction of new systems such as CMS (see page 24) requires preparation and timely delivery of effective training materials for staff to ensure service continuity. In 2010, through WorkSafeBC's Education and Development Services department, customer-facing staff received in excess of 6,200 person-days of technical and non-technical training.

In 2010, more than 150 existing and aspiring leaders participated in WorkSafeBC's leadership development program coordinated by Corporate Education Services, with 45 completing the program in 2010. In addition, WorkSafeBC provides training support to officers and technical specialists, such as accountants, lawyers, and engineers, to assist them in achieving and maintaining their professional designations, to the benefit of WorkSafeBC and our stakeholders.

Because the Workers' Compensation Appeals Tribunal and the offices of the Workers' and Employers' Advisers work with the same law, policy and systems, WorkSafeBC, and its Review Division has joined with these organizations to form an inter-organizational training committee. Meeting on a regular basis, the committee designs and delivers joint training sessions to enhance common understanding of system objectives and sound decision-making principles, while maintaining the independence and integrity of each organization's authority and duties under the legislation.

Special Care Services

WorkSafeBC has long been concerned about the most seriously injured workers. The Special Care Services (SCS) department was recently established as a centralized unit responsible for the case management of all new, and most existing, claims for severely injured workers. Team members ensure that quality care, support, and decision making is provided in a consistent, timely, and cost-effective manner throughout the province.

For the purposes of Special Care Services, a severely injured worker is defined as a worker who has (or is expected to have) a severe work-related permanent impairment that significantly restricts mobility or function as a result of a catastrophic injury. Examples include spinal cord injury, severe brain injury, and multiple amputations. Workers and their families are provided with specialized services customized to their particular needs.

In 2010, SCS continued to develop new programs and services to better assist its clients. One key initiative involves a team of nurses who provide outreach and clinical support — including at-home and community-based visits. SCS is also taking steps to incorporate tele-health technology into these nursing visits, so injured workers can remain at home — facilitating medical specialist assessments and improving overall communication. SCS is also expanding on mental health services for its clients. The social worker program, providing services to clients and their families, has been expanded province-wide, and a crisis support team has been established to support psychologically fragile clients and those at risk of suicide.

In 2010, Special Care Services initiated a seminar series called Discovering the Power in Me. The two-day event helps people with life-changing disabilities cultivate greater inner strength and resiliency, and empowers severely injured workers by giving them the tools they need to reach new personal heights. In addition to the seminar, SCS publishes *the Journey*, a special publication for severely disabled workers highlighting the challenges and successes of living with a serious injury.

The initiatives and support provided by Special Care Services demonstrate a tangible commitment to making a difference in the lives of severely injured workers, and the organization's dedication to assisting them in meeting the extraordinary challenges they face.

Claims Management Solutions (CMS)

In 2009, WorkSafeBC implemented the Claims Management Solutions (CMS) system. This highly integrated electronic platform replaced several older systems and introduced an entirely new way of managing the information and processes that support WorkSafeBC's services to workers and employers. Unlike previous systems, CMS is designed to adapt to laws, policies, and practices — a feature that will allow WorkSafeBC to meet changing demands and adapt to new trends common to workers' compensation systems.

Since the system's initial implementation in May 2009, many of WorkSafeBC's operations have been adjusted to optimize service to workers. As with most new systems, some bottlenecks in workflows and unanticipated resource requirements generated both operational and system development challenges. Major releases and minor adjustments to fine-tune CMS continue to improve the "workability" of the system to better meet operational priorities and service demands.

CMS provides greater accuracy and improved claims handling by automating routine work, allowing WorkSafeBC's adjudicative staff more time to provide direct services and attention to more complex claims-management tasks. Through CMS, 98 percent of claims are registered automatically, 30 percent of claims are decided through system-based eligibility, and almost 80 percent of the 200,000 health care invoices received monthly are now processed and paid automatically. WorkSafeBC believes the consistency, accuracy, and speed of the system will provide our staff with the tools they need to provide the best possible service to workers and employers.

Information technology and systems

WorkSafeBC relies on information technology — including the CMS — to successfully fulfill its mandate. Accordingly, the security of personal records, the reliability of data, and the robustness of high-tech systems are essential to all WorkSafeBC operations. A security system failure or breakdown in technology poses a significant risk to WorkSafeBC and its stakeholders. To mitigate this risk, the organization has developed and maintains security measures to protect data and systems. WorkSafeBC also maintains and regularly tests a recovery plan that will allow important systems to be restored and operated in order to maintain continuity of essential services to workers and employers.

WorkSafeBC continues to invest in technology that will support more efficient claim management and contribute to more timely research. Such research initiatives will, in turn, help the organization detect trends while improving the focus and effectiveness of its prevention activities.

Risk management, business continuity, and succession planning

WorkSafeBC's strategic framework requires annual reviews to assess the risks facing the organization, including risks to staff, facilities, and information required by the organization to provide ongoing services to B.C.'s workers and employers.

In 2010, WorkSafeBC began testing its emergency response and business continuity plans. Additional testing and design of strategies will ensure services are restored and maintained should some event impair the ability of staff or the availability of systems.

The health, safety, and security of WorkSafeBC's staff are both a legal requirement and a solemn commitment. In 2010, a complete review of WorkSafeBC's security provisions formed the basis for improvements to offices and procedures to better protect staff.

Other WorkSafeBC contingency planning initiatives include the documentation of systems, backup training, and succession planning, consisting of an analysis of retirement patterns and the identification of jobs that are vulnerable because they rely on the specialized knowledge or skill of one individual. In 2010, a complete review of critical positions was completed to ensure viable succession — both in the case of an unexpected event, or due to anticipated retirement. WorkSafeBC is also reviewing its recruitment, retention, and post-retirement rehiring practices to address acute skill shortages for vacation coverage and other transitional contingencies.

Privacy and fraud safeguards

All organizations are subject to fraud. WorkSafeBC's diligent and ongoing efforts in advancing its fraud prevention strategy sends clear signals to the public and internal/external stakeholders about the organization's attitude toward fraud risks and organizational risk tolerance.

As guardians of sensitive information, WorkSafeBC officers also hold an important position of trust with their stakeholders. To safeguard internal systems, WorkSafeBC has created audit trails and security mechanisms to guard against the inadvertent or intentional release of information. As well, staff members are made aware of their responsibilities and reminded annually of their required compliance with standards of conduct.

As part of WorkSafeBC's commitment to a fair and honest worker protection plan, employers are required to fully disclose payroll and injury information. Each employer is required to register with WorkSafeBC, to accurately report payroll accounts, pay workers' compensation premiums, and ensure all work-related injuries and serious incidents are reported in a timely manner.

Workers have specific obligations as well including: reporting injuries; refraining from engaging in unsafe work practices; and, if they are injured, engaging in rehabilitation and the return-to-work process — but only when it is safe to do so. WorkSafeBC has audit and investigations processes in place to ensure all parties are participating effectively in the workers' compensation system.

WorkSafeBC also completes an annual comprehensive review of all known fraud risk factors. These are assessed in terms of residual risks and the effectiveness of internal controls. In 2010, WorkSafeBC's Fraud Policy was revised and its Fraud Prevention Plan was developed; the communication and education rollout of both are planned for 2011. The Fraud Prevention Plan is intended to establish a proactive environment to effectively manage WorkSafeBC's fraud risks. WorkSafeBC's fraud prevention strategy is overseen jointly by directors from Investigations, Financial Operations, Internal Audit, and Human Resources.

Teleclaim

WorkSafeBC's Teleclaim Service Centre enables injured workers to report injuries by phone and to receive personal assistance from trained staff members to assist them with their recovery and return to work.

Roughly 64% of all workers who complete an application for compensation do so by calling Teleclaim. The service is designed to meet the service priorities previously identified by workers through WorkSafeBC's Voice of the Customer

(VOC) program, and to streamline injury reporting, disability management services, and the processing of wage-loss payments. The service is also designed to facilitate earlier return-to-work planning. Teleclaim offers real-time interpretation services in more than 170 languages. A detailed list of the interpretation services is featured in *WorkSafeBC Statistics 2010*.

Voice of the Customer

Each and every day the WorkSafeBC team continues making the improvement of customer service a priority. The need to improve the "customer service" experience for workers and employers was identified as a priority in the *Core Services Review* published in 2002¹⁸.

WorkSafeBC continues to use feedback through the Voice of the Customer program to better understand the needs of its customers. Through its partnership with a market research company, WorkSafeBC established the Voice of the Customer program — a stakeholder feedback initiative designed to identify the areas of service considered most important to workers and employers.

Through surveys and focus groups, the VOC program allows WorkSafeBC to measure the critical human interactions that drive stakeholders' perceptions of the organization. As a result, WorkSafeBC is better able to tailor its business decisions to meet the needs of workers and employers and improve service across all areas. More information on the VOC program can be found in *WorkSafeBC Statistics 2010*.

In his 2010 follow-up to the core services review, Dr. H. Allan Hunt concludes, "We are particularly impressed with the survey-based indicators of injured worker satisfaction, employer satisfaction, and public contribution as perceived by the general citizenry of the Province. These are bold measures that speak volumes about the commitment of WorkSafeBC to customer service. WorkSafeBC is to be congratulated on adopting the public outcome measures and achieving a high level of performance on them."

Senior Executive

David Anderson

President and Chief Executive Officer

Steve Barnett

Senior Vice-President and Chief Financial Officer

Roberta Ellis

Senior Vice-President, Corporate Affairs

Diana Miles

Senior Vice-President, Operations

Pamela Cohen

Vice-President, Human Resources and Facilities Division

Ian Munroe

Vice-President, Claims Services

Betty Pirs

Vice-President, Prevention Services

Donna Wilson

Vice-President, Industry Services and Sustainability

Ed Bates

General Counsel

Online viewing

For an electronic copy of this report, visit our web site at WorkSafeBC.com.

Feedback

To comment on WorkSafeBC's *2010 Annual Report and 2011–2013 Service Plan*, contact Scott McCloy, Director of Communications, at 604 276-3113 or scott.mcclay@worksafetc.com.

Workplace health and safety is everyone's responsibility

All workers are entitled to safe and healthy work environments where hazards are minimized and controlled. The key to maintaining a safe and healthy workplace lies in joint action that involves everyone — employers, workers, supervisors, and other stakeholders — working together to fulfill their responsibilities and mitigate the risk of injury, illness, disease, and death.

Employer responsibilities

- Provide a safe and healthy workplace.
- Ensure that workers are adequately trained. Keep written records of training.
- Establish and maintain a comprehensive occupational health and safety program, including a written health and safety policy and an incident investigation procedure.
- Support supervisors, safety coordinators, and workers in their health and safety activities.
- Take action immediately when a worker or supervisor tells you about a potentially hazardous situation.
- Initiate an immediate investigation into incidents, and immediately report serious incidents to WorkSafeBC.
- Provide adequate first aid facilities and services.
- Provide personal protective equipment as required.

Supervisor responsibilities

- Instruct workers in safe work procedures.
- Train workers for all tasks assigned to them, and check that their work is being done safely.
- Ensure that only authorized, adequately trained workers operate tools and equipment or use hazardous chemicals.
- Ensure that equipment and materials are properly handled, stored, and maintained.
- Enforce health and safety requirements, and correct unsafe acts and conditions.
- Identify workers with problems that could affect safety at the worksite. Follow up with interviews and referrals where necessary.
- Develop appropriate health and safety rules and inspect the workplace for hazards.

Worker responsibilities

- Know and follow health and safety requirements affecting your job.
- Use all personal protective equipment when and where required.
- Don't assume you can do work you've never done before. Ask your employer for training so you know how to do it safely before you begin.
- Always work safely and encourage your co-workers to do the same.
- Immediately correct unsafe conditions or report them right away to your employer.
- Immediately report any injury to a first aid attendant or supervisor.
- If you have any doubts about your safety, talk to your employer. Take the initiative — make suggestions to improve health and safety at work.

Worker rights

- Know about workplace hazards.
- Participate in workplace health and safety activities.
- Refuse unsafe work.

For more information

If you have questions about workplace health and safety issues, call the Prevention Line at 604 276-3100 or toll-free within B.C. at 1 888 621-SAFE (7233), or visit WorkSafeBC.com and follow the link to Safety at Work, where you'll find resources that can be downloaded free of charge. You can also purchase safety publications and DVDs at www.worksafebcstore.com.

Endnotes

1. See Appendix B for Key Objective #8 and an explanation of funding levels and comparative data from the Association of Workers' Compensation Boards of Canada.

2. The Accident Fund is the fund provided for the payment of compensation, outlays, and expenses referred to in Section 36 of the *Workers Compensation Act*. It is made up of the portfolio investments and other assets of WorkSafeBC.

3. See page 20 for more information on Social Responsibility and Sustainability.

4. WorkSafeBC's Courtenay, Kamloops, Nanaimo, and Richmond facilities achieved BOMA BEST Level 2 certification; the Victoria facility achieved BOMA BEST Level 3 certification (see www.bomabest.com).

5. While the information contained in this annual report reflects the organization's actual performance for the period of January 1, 2010, through December 31, 2010, all material fiscal assumptions and policy decisions made up to March 16, 2011 have been considered in the development of this publication.

6. While WorkSafeBC changed key objective/performance indicator #8 in 2008, the other 10 key objective/performance indicators in this report have been applied as a group since 2003. Most of the organization's key objective/performance measures have been applied for much longer and can be found in past WorkSafeBC annual reports going back 10 years or more.

7. Employment in B.C. is distributed across many industrial sectors, each with its own injury rate and premium cost structure. The proportion of the employed workforce and associated economic activity produced in these sectors — the mix of industry — rarely remains constant over time. As the proportion of economic activity shifts among these industries, it may change the kinds of services WorkSafeBC delivers and the results achieved by those services.

8. The provincial injury rate is calculated in accordance with the Association of Workers' Compensation Boards of Canada's definition (see Appendix B, page 96). Wage-loss injuries, fatality claims (cases involving funeral expenses and/or survivor benefits), and long-term disability claims that occurred in 2010 and were first paid that year (or estimated to first be paid within the first quarter of 2011) are counted and expressed as a ratio to 100 person-years of employment. Injuries arising from and employment related to deposit-class employers are excluded from this calculation. A person-year is the equivalent of one person working all year on either a part-time or full-time basis. Estimates for person-years are based on gross payrolls submitted by employers, and on matching wage-rate data.

9. A reduction in the injury rate of just 1.0 percent (from 2.27 to 2.25, for example) translates to approximately 464 fewer workers who suffer wage-loss injuries, around \$8 million less in claim costs, and 27,000 productive work days gained by the economy.

10. If employment in a sector that has a relatively high injury rate, such as construction, grows, while employment in a lower-risk sector, such as retail, declines, the provincial injury rate could still increase, even if the injury rate remains the same or drops in both sectors.

11. These 2010 injury rate estimates are preliminary as of December 2010. They are based on available claim and employment information, and subject to estimation error and change. They take into consideration employment estimates from the Statistics Canada Labour Force Survey and the Statistics Canada Survey. Injury rates for 2010 will be available in July 2011.

12. Employers are assigned to classification units based on their main industrial activity. Industrial activities are organized into three levels: sectors, subsectors, and classification units. The classification structure consists of seven sectors, 24 subsectors, and 619 classification units.

13. Short-term disability (STD) duration is a calculated measure based on the number of days paid in the current year for claims arising in the current and five previous years with an adjustment for days paid associated with older claims. The calculation includes the days arising from short-term disability payments and excludes the days arising from rehabilitation payments. For a more detailed explanation of this calculation see the 10-year summary of consolidated financial statements at www.worksafebc.com/publications/reports/annual_reports.default.asp.

14. Post-implementation adjustments to CMS involved changes in workflow that contributed to delays in processing claims and medical accounts in 2010. See Appendix C, pages 102–103, for more information on staffing levels and CMS.

15. In calculating the injured worker overall experience rating, WorkSafeBC previously weighted its survey results to match the actual distribution of claims, based on the proportion of claims "owned" by Initial Adjudication, Entitlement, or Case Management at the end of the year. Claims could either be disallowed, closed, or still on open wage-loss, as long as they were disallowed or paid within the year. With the introduction of CMS, more claims now end up in Case Management, and fewer in Initial Adjudication. This shift does not reflect a real change in the makeup of incoming claims; rather, it reflects changes in the way claims are coded and routed by the system. Nevertheless, if the same weighting was used, the 2010 result would not have been accurate in comparison to previous years. Accordingly, WorkSafeBC adjusted its method of weighting from "claim ownership" to "length of claim." WorkSafeBC now weights its survey results to match the actual distribution of claims, based on the average period of time claims are in the system. This length of time is calculated from the date the claim is registered, to the date of the most recent wage-loss payment, as of the last day of the year. If this new methodology were used in 2009, the result would have been 1 percent lower, at 64 percent.

16. The 2010 injured worker survey was conducted during three separate periods, from October 14 to 17, from November 8 to 10, and from December 6 to 9.

17. WorkSafeBC determines the target level of the Capital Adequacy Reserve using an approach comparable to the one prescribed for private insurers by the federal Office of the Superintendent of Financial Institutions (OSFI). The OSFI approach determines the minimum capital requirement by considering the insurer's risk profile. OSFI requires private insurers to maintain levels of at least 150 percent of the minimum capital requirement. By resolution, WorkSafeBC's Board of Directors has set a target capital requirement of 160 percent of the minimum capital requirement level, using the OSFI methodology.

18. Example: In 2010, actual assets were \$12,647 million, which represents 130 percent of the current liabilities of \$9,693 million, but 96 percent of the current target asset level of \$13,140 million.

19. Changes to accounting standards may affect this measure in the future (see the IFRS discussion on page 63).

20. Under the *Workers Compensation Act*, short-term disability, long term disability, and survivor benefits are indexed against the annual increase in the consumer price index (CPI), as measured by the year-over-year CPI at October each year. These benefits are indexed to inflation at CPI growth minus 1.0 percent, with a maximum of 4.0 percent and a minimum of zero. No inflation adjustment was applied to benefit rates at January 1, 2010, because CPI growth was 0.1 percent (0.1 percent minus 1.0 percent is negative 0.9 percent, therefore the indexation was capped at zero). The inflation adjustment applied to benefit rates at January 1, 2011 was 1.4 percent (2.4 percent CPI growth minus 1.0 percent).

21. This measure reflects the overall financial impact of workers' compensation premiums on the assessable payroll of insured employers in British Columbia. The actual premium charged to an individual firm varies, depending on its insurance rate group and experience rating. The aggregate premium rate shown here differs from the average base rate published each year at the time premium rates are established for the upcoming assessment year. The published base rate is a composite of all the individual industry base rates. It is published in the WorkSafeBC rate and classification list and averaged on the basis of long-term industry payroll growth rates. The aggregate premium rate differs from this published base rate, because it reflects the actual, rather than projected, payroll mix by industry. Furthermore, the aggregate premium rate also differs from the base rate, owing to imbalances arising from the experience rating plan and the reduction of the pre-2000 surpluses and interest credited to employers. This aggregate premium rate can be viewed as a collection rate: it reflects the actual premiums owed by employers for a particular assessment year, expressed as a percentage of the total assessable payroll.

22. Since WorkSafeBC's premiums are collected in arrears, the actual funds collected and the corresponding payrolls for a given year cannot be determined until well into the following year. Therefore, the aggregate rate shown for 2009 and previous

years reflects the final collected rate. The rate shown for 2010 and future years is estimated based on the anticipated mix of industries, assessable payrolls, known adjustments, and anticipated impacts of various strategies and initiatives.

23. WorkSafeBC's administration costs for key objective/performance indicator #10 are defined by the Association of Workers' Compensation Boards of Canada (AWCBC). In accordance with AWCBC's calculation method, WorkSafeBC does not include administration costs associated with prevention, treasury/ investments, third-party recoveries and related legal costs, grants and awards, reviews and appeals, workers' and employers' advisers, sessional physicians, external medical service providers, or costs related to self-insured employers. Among these items, the highest cost is associated with prevention initiatives, which, in 2010, was \$0.11 per \$100 of assessable payroll. WorkSafeBC has recalculated the administrative cost ratio for the years 2006 to 2010 to exclude only legal costs related to third party recoveries instead of all legal costs. The impact is minimal and there is no change to the administrative cost ratio presented from what was published in the 2009 annual report for the years 2006 to 2010.
24. This \$1.56 average base assessment rate for 2010 is the rate that was published at the time the assessment rates were set in 2009. This compares to the current estimate of the aggregate 2010 rate of \$1.43. The difference is primarily due to a sharp decline in high-risk industrial activities in 2009 (such as construction), a factor that is reflected in the \$1.43 rate, but not in the published \$1.56 rate. In addition, the \$1.43 rate also incorporates the revenue reduction arising from the imbalance in the experience rating program, an element not reflected in the published rate. See endnote 34 for a full explanation of the difference between the base rate and the aggregate rate.
25. Self-insured employers are sometimes referred to as deposit account employers. These employers do not pay premiums based on assessable payroll; rather, they are required to pay WorkSafeBC the cost of all compensation benefits distributed to their workers, plus a share of the administration costs. They are required to maintain a deposit balance in their accounts from which amounts for claim costs and administration are drawn monthly. These employers include the provincial and federal governments, Air Canada, and certain railway companies.
26. WorkSafeBC's portfolio investments have all been designated as available-for-sale, except for derivative financial instruments, which have been designated as held-for-trading. For more information see Note 2(B) of the consolidated financial statements, page 72.
27. Effective April 1, 2009, the investment policy asset allocation targets were set at 33 percent fixed income (allowable range 20–60 percent), 39 percent equity (allowable range 20–60 percent), and 28 percent inflation sensitive (allowable range 15–40 percent).
28. The investment return of 9.8 percent is based on the market value of the investment portfolio at December 31, 2010, and is the market return reported by WorkSafeBC's portfolio manager, bclMC, in its year end report. This rate of return is different from the investment results that would be calculated from the consolidated financial statements (see page 66), where certain investments are based on consolidated values and recorded at cost.
29. WorkSafeBC's investment goal is to produce a long-term average real return over and above the inflation rate (as measured by the annual increase in the consumer price index (CPI), equal to the discount rate used to calculate benefit liabilities). The minimum required return for 2010 was based on CPI growth plus 3.0 percent, prorated by the ratio of total liabilities over total assets, using values from the beginning of the year.
30. Total claim costs and changes in benefit liabilities have both been on a downward trend from 2001 to 2010 (though these costs have not decreased every consecutive year). Excluding non-recurring items, total claim costs fell from \$1,649 million in 2001 to \$1,293 million in 2010; changes in benefit liabilities reduced from \$562 million in 2001 to negative \$35 million in 2010.
31. The Capital Adequacy Reserve was originally called the Investment Fluctuation Reserve when it was created in 2005.
32. The audits are performed in accordance with Section 5970 of the Canadian Institute of Chartered Accountants' (CICA) Handbook.
33. The provincial injury rate is calculated in accordance with the Association of Workers' Compensation Boards of Canada definition. Wage-loss injuries, fatality claims (cases involving funeral expenses and/or survivor benefits), and long term disability claims that occurred in the reference year and were first paid that year (or within the first quarter of the following year) are counted and expressed as a ratio to 100 person-years of employment. Injuries arising from and employment related to, deposit class employers are excluded from this calculation. A person-year is the equivalent of one person working all year on either a part-time or full-time basis. Estimates for person-years are based on gross payrolls submitted by employers, and on matching wage rate data.
34. This measure reflects the overall financial impact of workers' compensation premiums on the assessable payroll of insured employers in British Columbia. The actual premium charged to an individual firm varies depending on its insurance rate group and experience rating. The aggregate premium rate shown here differs from the average base rate published each year at the time premium rates are established for the upcoming assessment year. The published base rate is a composite of all the individual industry base rates. It is published in the WorkSafeBC rate and classification list and averaged on the basis of long-term industry payroll growth rates. The aggregate premium rate differs from this published base rate because it reflects the actual, rather than projected, payroll mix by industry. Furthermore, the aggregate premium rate also differs from the base rate owing to imbalances arising from the experience rating plan and the reduction of the pre-2000 surpluses and interest credited to employers. This aggregate premium rate can be viewed as a collection rate: it reflects the actual premiums owed by employers for a particular assessment year, expressed as a percentage of the total assessable payroll.
35. Effective April 1, 2009, the investment portfolio asset allocation mix was revised from 45 percent fixed income (allowable range 35–55 percent), 45 percent equity (allowable range 30–55 percent), and 10 percent real estate (allowable range 5–15 percent) to 33 percent fixed income (allowable range 20–60 percent), 39 percent equity (allowable range 20–60 percent), and 28 percent inflation sensitive (allowable range 15–40 percent).
36. A workplace injury is always serious — for the worker who has been hurt, for the worker's family, and for his or her employer. However, there are situations where a worker must be absent from work for more than 28 days, requires extensive hospitalization or treatment, or has suffered a head injury, fracture, or amputation. These life-altering incidents — along with fatalities — are reflected in WorkSafeBC's serious injury rate.
37. In 2010, WorkSafeBC changed the basis of the employee and FTE figures to include all employee groups of the organization, including an additional 398 employees (94 FTEs) who left the organization during the year. These staff were primarily temporary employees needed to cover various leaves (including vacation and maternity leave) and address operational needs (such as the transition to CMS). If the same basis was used in 2009, the employee and FTE figures reported would have been increased by 446 and 144 respectively.
38. H. Allan Hunt, *Why not the best? Service Delivery Core Review* prepared for the Ministry of Labour, March 2002. Available at www.labour.gov.bc.ca/pubs/pdf/HuntReport-Complete.pdf, page 3-1.
39. For a detailed calculation, see www.worksafebc.com/publications/reports/annual-reports/default.asp.

